SUPREME COURT, U. S.

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In the
Supreme Court of the United States

October Term, 1969

No. 297

PURER & COMPANY and PHILLIP PURER,
Appellants,

vs.

AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.,
Appellees.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

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WESTERN PRINTING COMPANY, WHITTIER—OXBOW 8-1722

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Purer & Company, a California corporation, and Phillip Purer, an individual, your petitioners herein, respectfully pray that a Writ of Certiorari issue to review the judgment of the United States Court of Appeals for the Ninth Circuit entered in the above entitled cause on March 14, 1968 and amended on May 29, 1969.

OPINIONS BELOW

The Opinions of the Court of Appeals are reported verbatim herein. (Appendix A, pp. 1-18; Appendix B, pp. 1-2.) It has not as yet been officially reported.

JURISDICTION

The judgment of the Court of Appeals was entered on March 14, 1969 (Appendix A, p. 1). A petition for rehearing was denied on May 29, 1969 (Appendix B, p. 1). The jurisdiction of this Court is invoked under the provisions of 28 U.S. Code secs. 1291, 1332 and 1338.

QUESTION PRESENTED

Revised Rule 21, subd 1 (b) of this Court provides that this Court has discretion to grant a review on Writ of Certiorari where a Court of Appeals has so far departed from the accepted and usual course of judicial proceedings or has so far sanctioned such a departure by a lower court, as to call for an exercise of this Court's power of supervision.

Your petitioners' position, as it will hereinafter appear, is that the Court of Appeals for the Ninth Circuit has so far departed from the accepted and usual course of judicial proceedings and has so far sanctioned such a departure by the U.S. District Court for the Central District of California that this Court should exercise its power of supervision and grant the petition for a Writ of Certiorari and the question presented is:

Has the departure by the Court of Appeals from the accepted and usual course of judicial proceedings and its sanction of such departure by the trial court resulted in an erroneous judgment and a miscarriage of justice

and deprived the petitioners of their rights to the equal protection of the laws?

STATUTES INVOLVED

The following statutes are involved in this proceeding:

1. Federal Rules of Civil Procedure, Rule 43 (a) which reads in part as follows:

> "In all trials the testimony of witnesses shall be taken orally in open court, unless otherwise provided by these rules."

2. California Civil Code, sec. 19

> "19. Constructive notice.
>
> "Every person who has actual notice of circumstances sufficient to put a prudent man upon inquiry as to a particular fact, has constructive notice of the fact itself in all cases in which, by prosecuting such inquiry, he might have learned such fact."

3. California Evidence Code.

> § 641. *Letter received in ordinary course of mail.* A letter correctly addressed and properly mailed is presumed to have been received in the ordinary course of mail.
>
> § 1271. *Business record.* Evidence of a writing made as a record of an act, condition, or event is not made inadmissible by the hearsay rule when offered to prove the act, condition, or event if:

(a) The writing was made in the regular course of a business;

(b) The writing was made at or near the time of the act, condition, or event;

(c) The custodian or other qualified witness testifies to its identity and the mode of its preparation; and

(d) The sources of information and method and time of preparation were such as to indicate its trustworthiness.

§ 1400. *Authentication defined.* Authentication of a writing means (a) the introduction of evidence sufficient to sustain a finding that it is the writing that the proponent of the evidence claims it is or (b) the establishment of such facts by any other means provided by law.

§ 1401. *Authentication required.* (a) Authentication of a writing is required before it may be received in evidence.

(b) Authentication of a writing is required before secondary evidence of its content may be received in evidence.

§ 1509. *Voluminous writings.* Secondary evidence, whether written or oral, of the content of a writing is not made inadmissible by the best evidence rule if the writing consists of numerous accounts or other writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the general result of the whole; but the court in its discretion may require that such accounts or other writings be produced for inspection by the adverse party.

STATEMENT

Jurisdiction in the trial court was based on Title 28 of the United States Code, secs. 1338 (patent infringement) and 1333 (diversity of citizenship).

On November 4, 1965, Aktiebolaget Addo, a Swedish corporation and Addo Machine Co., a New York corporation, filed their law suit against petitioners. The complaint set forth three causes of action:

1. For patent infringement,
2. For trade mark infringement, and
3. For unfair competition.

The patent infringement cause alleged that Aktiebolaget was the owner of two patents for an invention in an adding machine; that by written agreement between Aktiebolaget and Addo the latter is the sole American importer and distributor of the adding machine manufactured by Aktiebolaget embodying the patented inventions and that defendants Purer & Company and Phillip Purer were infringing on the letters patents by making, importing, selling and using adding machines embodying these patented inventions.

The trade mark infringement cause of action was withdrawn by plaintiff prior to the pre-trial on the grounds that discovery proceedings had failed to establish any trade mark violations; and over objection by defendants that at that stage of the proceedings they were entitled to a judgment in their favor rather than a dismissal without projudice, this cause was dismissed.

The unfair competition cause of action was predicated on the contention that the name "Addo" in the marketing of adding and business machines had acquired a secondary meaning within the industry and to the public; and that name is identified with plaintiff's product and that the use of certain advertising by defendants is so similar to that of plaintiffs as to confuse the public into believing that defendants' products were that of plaintiffs.

Defendants answer to the first cause of action for patent infringement was that on April 1, 1964 Aktiebolaget and Purer had entered into a written agreement authorizing Purer to use in his adding machines Aktiebolaget's patents upon payment of royalties.

The defense to the cause of action for unfair competition was a general denial.

Aktiebolaget admitted the execution of the licensing agreement but contended that it had been procured by fraud as follows:

1. Aktiebolaget was charging Toshiba, a Japanese corporation, with unauthorized use of plaintiff's patents and wouldn't permit Toshiba to use plaintiff's patents.

2. Purer was the American distributer of Toshiba's adding machines and had knowledge of Aktiebolaget's difficulties with Toshiba and particularly that Aktiebolaget would not grant a license allowing Toshiba to use the inventions.

3. Purer thereupon embarked upon a course of conduct to obtain a license agreement from Aktiebolaget. He solicited the agreement for himself and concealed his association with Toshiba.

4. Upon obtaining the license agreement he had Toshiba manufacture the same adding machine it had always manufactured including plaintiff's patented invention, but gave it a different model number. Except for the numbers, Toshiba's, Purer's and plaintiff's machines were identical.

5. Aktiebolaget further contended that upon discovering the fraud of defendants it immediately gave notice of rescission of the license agreement and that the use by defendants of plaintiff's patents after the notice of rescission constituted patent infringement and unfair competition.

The trial of the patent infringement cause of action therefore hinged upon the question whether defendants procured the licensing agreement by fraud. Plaintiffs contended, and defendants agreed that the question of fraud was to be decided according to the laws of the State of California.

The trial of the unfair competition cause of action hinged upon the establishment of secondary meaning to the name Addo and the resulting confusion to the public.

Upon the trial of the action, plaintiffs attempted to establish their two causes of action with the following results:

1. a. To establish the amount of its annual sales, Gunnal Agrell, the president of Aktiebolaget testified that at his direction his accounting department had prepared a summary of sales for the years 1962-1966 from its books and records. The summary, consisting of an ordinary sheet of paper with figures typed on it was then offered into evidence under Cal. Ev. Code Sec. 1509 and received as Exhibit 4.

The objection of defendants that no proper foundation had been laid in that the witness did not prepare the summary and he was not familiar with the books and records of Aktiebolaget, and that an order of the court allowing defendants to examine the books and records was rendered moot when plaintiffs stated they would not use the books and records or any portion thereof in support of their action, was overruled, the court holding that since he was the president of the corporation and had ordered it to be prepared it was adequate foundation. The trial court subsequently made a finding based on the truth of the contents of this exhibit. (Findings of Fact Nos. 4 and 5; App. C, p. 2.)

b. To establish the annual sales of Addo Machine Company, George Agrell, the brother of Gunnar Agrell, and the president of Addo Machine Company, testified that he had requested his accounting department to prepare a summary of the annual sales of Addo Machine Company for the years 1963 to 1967 from the books and records of the corporation; that he was not satisfied with the summary as given to him by

his accounting personnel and changed the figures. The objection of defendants that no proper foundation had been laid and further that the figures had been changed was overruled, the trial court holding that since he was the president and it was prepared at his direction and at his hequest, it was a sufficient foundation to be admitted as an exhibit under Sec. 1509 of the California Evidence Code. This document, consisting of two pages of typed figures, was admitted into evidence as plaintiff's Exhibit No. 48, and subsequently the court made a finding based on the truth of this Exhibit. (Finding of Fact No. 12; App. C, p. 3.)

The appellate court held that these exhibits were properly admitted into evidence as summaries under California Evidence Code Sec. 1509. (App. A, p. 3.)

2. To establish that a dispute existed between Aktiebolaget and Toshiba and that Aktiebolaget would not grant any license to Toshiba to use its patented inventions, plaintiff's counsel offered a series of letters between Aktiebolaget and Lindeteves, its representatives in Amsterdam and one to the Swedish counsul in Tokyo. Lindeteves apparently forwarded these letters from Aktiebolaget to its agents in Tokyo and the answers from their agents in Tokyo to Aktiebolaget in Sweden. The originals of these letters were not offered, only copies, and no proof of their mailing was ever submitted.

Plaintifff's counsel, of course, was aware of the fact that these documents were all hearsay and not admissable, and stated to the court that he was not

offering them in evidence for the truth of their contents, but only to indicate the state of mind of the witness, Gunnar Agrell. The trial court thereupon stated that it would receive these documents in evidence not for the truth of their contents, but for the sole purpose of establishing the state of mind of Gunnar Agrell that he would not grant a license to Toshiba to use the patented inventions. These documents were thereupon admitted into evidence as plaintiff's Exhibits Nos, 8-11 inclusive, 13, 14 and 16, and the court subsequently made findings of fact based on the truth of the contents of these letters (Findings of Fact Nos. 23 through 32 inclusive, App. C, pp. 5-7.)

Appendix D annexed hereto contains excerpts from the trial indicating that the letters were not offered in evidence as to the truth of their contents and that they were not received in evidence as to the truth of the contents.

The appellate court, however, disregarded that fact that these exhibits were not admitted into evidence for the truth of their contents and concluded that they were properly admitted into evidence to provide substantial evidence in support of the questioned findings (App. C, p. 6.)

3. Gunnar Agrell testified that he requested Lindeteves to purchase a Toshiba adding machine, and the court thereupon assumed that the machine that Gunnar Agrell had received from his dealer was actually a Toshiba adding machine. Gunnar Agrell further testified that when the Toshiba machine arrived he sent

it to his laboratory to be photographed and that the photographs were subsequently sent to his agent in Amsterdam.

Although the witness further testified that when the purported model machine from Toshiba arrived there was a mark on it which he could not recall, and the markings that he made on the back of the photographs were done when his deposition was taken in December of 1965, more than a year after the law suit was started and more than 2 years after the photographs were taken, the court overruled all objections to their being admitted into evidence and accepted them as exhibits 12a to 12h inclusive, and subsequently made findings of fact Nos. 29 and 30 predicated upon the authenticity of these photographs. Annexed hereto as Appendix E is an excerpt from the testimony of Gunnar Agrell that he didn't know what mark was on the machine. The appellate court stated (App. A, p. 4):

> "Mr. Agrell saw the machine when it arrived in Sweden. He inspected it to see whether there was any model number. It was Model 4001."

4. To establish the similarity between petitioners' present adding machine and the adding machine sold by Toshiba, the respondents offered into evidence a letter dated November 25, 1965 allegedly from Tokyo Electric Co., enclosing photographs of the adding machines, and purportedly in answer to a letter written by Aktiebolaget to Tokyo Electric Company in April of 1964, almost 18 months before. Over objection that no proper foundation was laid as to the author of the letters and

no foundation laid as to who took the photographs and their authenticity, the letter of April, 1964, was received into evidence as Exhibit 17 and the letter of November, 1965 as Exhibit 43 and a finding made based on their being correct (Finding of Fact No. 50, App. C, p. 12).

The appellate court held that Exhibit 17 was properly authenticated because Gunnar Agrell had seen it before it was sent although he was not its author. (App. A, p. 5).

5. In soliciting the license agreement, Purer used letterheads which had prominently displayed on it a picture of a plant containing kana markings and in bold type the words "New Modern Facility in Ohito." The findings only contain the phraseology contained in these letters (Findings of Fact Nos. 37, 39, 41; App. C, pp. 7-9) and omitted any reference to the picture and the phrase which alerted Gunnar Agrell to the fact that Purer & Co. has Japanese connections.

The appellate court held that since the finding interpreted a written document, it had no power to make its own interpretation of the written instrument. (App. A, p. 10.)

6. To establish unfair competition plaintiff offered into evidence a series of letters from its dealers and from dealers of a subsidiary complaining about the similarity between plaintiff's model adding machine and defendant's adding machine. Over objections that these letters were hearsay and self serving declarations,

and that such testimony must come from a witness on the stand so that they could be cross examined, the court admitted these letters into evidence to establish the state of mind of the plaintiffs' dealers (Exhibits 53-57; 61-65) and further made findings predicated on the truth of the contents of these letters (Findings of Fact 68, 69; App. C, p. 15).

The appellate court approved their admission into evidence for that limited purpose (App. A, p. 8).

7. Although the trial court found that your petitioners were guilty of false and misleading advertising (Findings of Fact Nos. 62-65 inclusive; App. C, p. 14) not a single witness was produced nor any evidence offered (except the letters from respondent's dealers) that anyone has ever purchased an adding machine from petitioners believing it to be that of respondents.

The appellate court concluded, however, that petitioners' importation and sale of adding machines incorporating Aktiebolaget's patented inventions after notice of rescission and their advertisement of their connection with respondents sufficiently constituted unfair competition (App. A, p. 12).

8. No findings were made by the trial court as to what portions of petitioners' adding machines infringed upon the claims of respondents' patents, yet the court concluded that petitioners' adding machines incorporated the patented inventions which constituted patent infringement (Conclusion of Law No. IV, App. C, p. 17).

REASONS FOR GRANTING THE WRIT

I

Books and records are hearsay and are not admissible in evidence. However, by statute they may be admitted into evidence as to the truth of their contents provided a proper foundation is laid.

A proper foundation requires that the custodian of the records testify under oath that the entries were made in the regular course of business under his direction and supervision, and if summaries are used, that the person making the summaries verified their conclusions from the actual books and records.

San Macri & Sons, Inc. v. U.S.A., 9th cir., 1963, 313 F. 2d 119, 128-129;

People v. Doble, (Cal. 1928) 203 Cal. 510, 515, 265 Pac. 184.

In this case the Supreme Court of California stated the rule as follows:

> "It is manifestly error to admit in evidence, under section 1855, subdivision 5, of the Code of Civil Procedure, [now section 1509 of the Evidence Code] a summary of books where the books themselves are not shown to be admissible in evidence. We, of course, are not intending to hold that the books in each case must be actually received in evidence to warrant the introduction of such summary so long as they are available for use of the opposing party, but their introduction in evidence is the safest rule, and it is not a technical objection

to require that a showing be first made that such book entries are entitled to admission if they are actually offered."

Baker & Ford Co. v. United States, 363 F. 2d 605, 607 (9th cir., 1966) does not support the Appellate Court's position that the summaries were properly admitted into evidence (App. A, p. 3). In that cause one Fred Urban took the stand and testified that *he* prepared the summary from the original records (p. 607) which is not the same as the testimony of Gunnar Agrell and George Agrell, who both testified that the exhibits were prepared by someone else at their request.

Exhibits 4 and 48 were, therefore, not properly in evidence and they do not support Findings Nos. 4, 5 and 12.

II

Exhibits 8-11 inclusive and 13, 14 and 16 were admitted for the sole purpose of showing the state of mind of the witness Gunnar Agrell and specifically not for the truth of its contents. It was therefore reversible error for the trial court to make findings (Findings of Fact Nos. 23-32 inclusive, App. A, pp. 5-7) predicated on the truth of these documents.

Waldron v. Waldron, 1895, 156 U.S. 361, 381; 15 S. Ct. 383, 388.

III

Exhibits 12 to 12 h, the photographs, were not taken by the witness and the originals of these photographs were sent by Aktiebolaget to their agents, Lindeteves, in Amsterdam. Furthermore, they were supposed to be of an adding machine which the witness asked Lindeteves to procure for him. No evidence was offered that Lindeteves procured a Toshiba adding machine but the Court assumed that since Gunnar Agrell had requested one, that is what he received.

Exhibit 44a was a photograph enclosed in a letter after the action was commenced. No one attempted to authenticate this photograph.

Yet the Court made findings based on the validity of these exhibits and using these exhibits concluded that the Toshiba Adding Machine, Purer's adding machane and plaintiff's adding machine were identical and embodied plaintiff's patented inventions (Findings of Fact No. 29, 30 and 50, App. C, p. 7, p. 12.)

Since similarity of the *parts* of the interior of the Toshiba machine (which the witness had not seen) with plaintiff's machine was the crucial issue, no proper foundation was laid to admit Exhibits 12 to 12h into evidence; and since no one knew what exhibit 44a portrayed except that it arrived in a letter, this exhibit was not properly authenticated.

Klevcand v. United States, 2nd cir. 1965, 345 F. 2d 134, 137.

IV

Although Exhibits 20, 22 and 25 had a visible picture of a plant with markings on it that could be either Japanese or Chinese and a statement underneath it "New Modern Facility in Ohito," the Court made findings based only on the typed portions of these exhibits and excluded the picture and the phrase. The Appellate Court refused to consider these written documents on the grounds that it was bound by the findings of the trial court on the "clearly erroneous" test. (App. A, p. 10-11.)

The various circuits of the United States Court of Appeals have different theories as to their duties under F. R. C. P. Rule 52a in reviewing a written document. Under the "Frank" rule, some appellate courts have held that an appellate court is in as good a position as a trial court to interpret a written instrument. This rule is followed in the Second, Fifth and Seventh circuits.

Iravani Mottaghi v. Barkley Importing Co., 2nd cir., 1957, 244 F. 2d 238, 248;

Upjohn v. Schwartz, 22nd cir., 1957, 246 F. 2d 254, 261;

Illinois Central R.R. v. Gulf, Mobile & Ohio R.R., 5th cir., 1962, 308 F. 2d 374, 375;

United States v. Lee, 5th cir., 1957, 250 F. 2d 308, 309;

Shumaker v. Groboski Industries, Inc., 7th cir. 1965, 352 F. 2d 837, 840.

The Ninth Circuit, as well as several other circuits, have chosen to follow the "Clark" theory; namely, that under the "clearly erroneous" test the findings of the trial court is binding on the appellate court even where the trial was on written instruments and depositions.

To further add to the uncertainty the Ninth Circuit has also on many occasions followed the "Frank" theory and made its own interpretation of the documents disregarding the conclusions of the trial court, e. g.

Furness, Withy & Co. v. Carter, 9th cir. 1960, 281 F. 2d 264, 266;

United Artists Corp. v. Strand Productions, 9th cir., 1954, 216 F. 2d 305, 310.

Both theories were fully analyzed in *Lundgren v. Freeman,* 9th cir., 1962, 307 F. 2d 104, 113-115, where the court concluded that the "Clark" view is what was *suggested* by this Court in *Commissioner of Internal Revenue v. Duberstein,* 1960, 363 U.S. 278; 80 S. Ct. 1190; 4 L.Ed. 2d 1218. However, this interpretation of *Commissioner of Internal Revenue v. Duberstein* by the 9th circuit is not accepted in other circuits.

Illinois Central RR v. Gulf, Mobile Ohio RR., 5th cir., 1962, 308 F. 2d 374;

Shumaker v. Groboski, 7th cir., 1965, 352 F. 2d 837.

This difference among the circuits assumes par-

ticular importance because the question of fraud in the present cause was decided according to the laws of the State of California; and California follows the Frank rule that the meanings of a written instrument without the aid of extrinsic evidence is a question of law and that the interpretation given to it by the trial court is not binding on the appellate court.

In *Faus v. City of Los Angeles* (1967) 67 C. 2d 350, 360; 62 Cal. Rptr. 193, 431 P. 2d 849, the court stated:

> "Subsequent to the decisions in the cases cited by plaintiff we held that, 'It is . . . solely a judicial function to interpret a written instrument unless the interpretation turns upon the credibility of extrinsic evidence.' (citation.) Where there is no extrinsic evidence or 'no conflict' in such extrinsic evidence as has been introduced, 'we must make an independent determination of the meaning' of a legal instrument. (62 Cal. 2d at p. 866.)"

In Parsons v. Bristol Development Co. (1965) 62 C. 2d 861, 866; 44 Cal. Rptr. 767; 402 P. 2d 839, it was held:

> "Since there is no conflict in the extrinsic evidence in the present case we must make an independent determination of the meaning of the contract."

In *Erie R. Co. v. Tompkins* (1938) 304 U.S. 64, 78; 58 S. Ct. 817, it was stated on page 822:

> "Except in matters governed by the Federal Constitution or by acts of Congress, the law to be applied in any case is the law of the state."

A correct understanding of *Erie R. v. Tomkins* would require that the interpretation of a written instrument, particularly where it involves an application of state law, be subject to the scrutiny of an appellate court rather than irrevocably bind the appellate court to the decision of the trial judge.

The picture of the plant and the phrase "New Modern Facility in Ohito" on Exhibits 20, 22 and 25 was notice to Gunnar Agrell, the president of Aktiebolaget, that petitioners had close connections with a Japanese firm (Cal. Code Civ. Proc. sec. 19) and Mr. Agrell was personally aware of this fact when he made notes over the picture. This was particularly important since it negates the claim of fraud because petitioner failed to advise respondents of this fact. Yet the trial court refused to make such a finding and the appellate court held that it had no power to review this decision.

Had the cause been tried in New York, the Second Circuit would have reviewed Exhibits 20, 22 and 25 to determine if these exhibits were sufficient notice to respondent of petiitoner's Japanese connections. Had the claim been tried in the State Court in California the result would have been the same. But because it was tried in the Federal Court in California rather than in the Federal Court in New York or in the State Court in California, petitioners are denied a right to have an important piece of documentary evidence reviewed and an erroneous judgment corrected and stand convicted of fraud, not because of evidence, but because

the trial was held in the Federal Court of California and not elsewhere.

It would seem that both parties, in a matter involving State law, are entitled to have their claims determined the same way, regardless if in the State or Federal court.

V

It is elementary and it does not require extensive discussion that to constitute unfair competition the producer's product must be identified by the public with that of the manufacturer. (*Kellogg Co. v. National Biscuit Co.*, (1938), 305 U.S. 111, 118; 59 S. Ct. 109, 113) and that the public must be so confused as to purchase the counterfeit product believing it to be that of the original producer (*Armstrong Paint & Varnish Works v. Nu-Enamel Corp.* (1938) 305 U.S. 315, 316; 59 S. Ct. 191, 201-202). Even false and misleading advertising is insufficient unless it is accompanied by a showing that the public was decieved in purchasing the defendant's product believing it to be that of the plaintiff (*Mosler Safe Co. v. Ely-Norris Safe Co.*, (1927), 273 U.S. 132; 47 S. Ct. 314).

Thus, without any showing of confusion on the part of the public the trial court found the petitioners guilty of unfair competition on the grounds that they continued to use Aktiebolaget's patented inventions after notice of recission and contrary to the holding of the Ninth Circuit in *Intricate Metal Products, Inc. v. Schneider,* 9th cir., 1963, 324 F. 2d 555, 561-563 that

patent infringement in itself is not unfair competition.

Pursche v. Atlas Scraper and Engineering Co., 9th cir., 1962, 300 F. 2d 467, 483; cert. den. 371 U.S. 911, 83 S. Ct. 251, does not hold to the contrary. That case merely held that the use by defendant of plaintiff's invention after defendant terminated the license agreement constituted unfair competition so far as to give the court jurisdiction to hear the cause of action for unfair competition, not that it was unfair competition.

VI

There was no basis whatsoever for the trial court to receive in evidence unverified letters from plaintiff's dealers (Exhibits 53-57 and Exhibits 61-65) and use the contents of these letters to indicate confusion among plaintiff's dealers (Finding of Fact Nos. 68, 69, 70; App. C, p. 15).

The proper procedure was by way of oral testimony so that defendant would have an opportunity of cross examination to determine if confusion resulted. These letters were all addressed to Mr. Oppenheimer, the sales manager, and are all dated November 1, 1965.

Although the Appellate Court held that the purpose of those letters was for the purpose of showing the state of mind of the dealers and not for the truth of their contents. (App. A, p. 8) Findings of Fact Nos. 68 and 69 hold that defendant's letters of solicitation "did create confusion among such dealers as to the sponsorship or endorsement by Addo of the TEC

7001 adding machine." This is precisely what was stated in Exhibits 53-57 and the only source to support plaintiff's third cause of action for unfair competition.

VII

Although the Appellate Court recognized the fact that

> "In order to constitute infringement there must exist substantial identity of function, means and results (citation.) an infringing device must perform substantially the same function or accomplish a substantially identical result by substantially identical means, and the principle or mode of operation must be the same. (citation.)" (App. A, p. 15.)

there are no findings setting forth this requirement. While Findings Nos. 24, 25 and 29 state that the Toshiba adding machine is almost an exact mechanical copy of plaintiff's adding machine (not based on evidence but on Exhibits 8-11, 13, 14 and 16, which were not admitted into evidence for the truth of their contents); and Finding No. 53 states that over ninety per cent of the parts of the TEC 7001 adding machine are identical in size, shape and design with similar parts of plaintiff's adding machine to the extent that they are interchangeable, there is still no finding what parts of defendants' adding machines infringed upon the claims of plaintiff's machines — which is the only basis for infringement.

In a patent infringement cause, the findings should be specifically set forth what portions of defendant's machines infringed upon the inventor's claims (*Autogiro Co. of America v. United States,* U.S.C.C., (1967) 384 F. 2d 391, 396).

CONCLUSION

In discussing proof, Mr. Justice Cardozo in *Shepard v. United States*, 1933, 290 U.S. 96, 104, 54 S. Ct. 22, 25 stated:

> "This fact, if fact it was, the Government was free to prove, but not by hearsay declarations."

Petitioners' position is that if they are to be held guilty of fraud and penalized $33,000.00 for attorney's fees and $3,905.17 for expenses because of their fraud (App. C, p. 21), their fraud should be established by proper evidence and not by hearsay documents and writings not in evidence for the truth of their contents. Even in these days of inflation $36,000.00 is not a small sum of money.

The Petition for a Writ of Certiorari should be granted to review the departure by the trial court from the accepted and usual course of judicial procedure and its sanction thereof by the appellate court.

Dated at Los Angeles, California, June 27, 1969.

Respectfully submitted,

JOSEPH W. FAIRFIELD,

ETHELYN F. BLACK

and

ALFRED W. OMANSKY

Attorneys for Petitioners.

APPENDIX "A"

UNITED STATES COURT OF APPEALS FOR THE NINTH CIRCUIT

PURER & COMPANY and PHILLIP PURER,
Appellants,
vs.
AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.
Appellees.
No. 22,037

[March 14, 1969]
Appeal from the United States District Court for the Central District of California

Before: HAMLEY and HAMLIN, Circuit Judges, and PLUMMER,* District Judge

This action was commenced in the United States District Court for the Central District of California by appellees to obtain a preliminary injunction, a permanent injunction, damages for patent infringement, trademark, infringement and unfair competition, and for costs and attorneys' fees.

The case was tried by the court without a jury. Judgment was entered enjoining appellants from engaging in unfair competition and infringing appel-

*The Honorable Raymond E. Plummer, United States District Judge for the District of Alaska.

lees' patents and awarding appellees the sum of $36,905.17 as reasonable costs and attorneys' fees. From this judgment, a timely appeal was taken.

The United States District Court had jurisdiction under 28 U.S.C.A. § 1332 and 28 U.S.C.A. § 1338. This court has jurisdiction under 28 U.S.C.A. § 1291.

Appellants' first specification of error relates to the ruling of the trial court allowing certain exhibits into evidence over objections. Included in these are certain financial reports of Addo which were admitted into evidence as appellees' Exhibits 3, 4 and 48.

Exhibit 3 is Addo's financial report for 1965. It consists of twenty-three pages apparently printed in the Swedish language with a five-page summary in English. This exhibit was admitted to show that Addo was a world-wide organization.

Gunnar Agrell, the president of Addo, testified without objection to facts which sufficiently established the worldwide nature of Addo's business activities. During the trial, counsel for appellants conceded that Addo was a worldwide organization.

In the absence of a showing that the admission of Exhibit 3 was inconsistent with substantial justice or that appellants' substantial rights were affected, the asserted error must be disregarded.

Exhibit 4 is a summary of Addo's records prepared by the accounting department pursuant to Gunnar Agrell's instructions. Exhibit 48 is a computation of

the advertising expenditures of Addo Machine Company for the years 1963 through 1967 prepared at the request of Mr. George Agrell.

Exhibits 4 and 48 were relevant to an issue of fact which remained to be litigated.[1] They were properly admitted into evidence. Section 1509, California Evidence Code.[2]

No request was made by appellants for the production of the original records from which the summaries were made. Consequently, the trial court was not called upon to exercise its discretion as to whether or not the records should be produced for inspection. See *Baker and Ford Co. v. United States,* 363 F.2d 605, 607 (9th Cir. 1966).

Appellants assert that plaintiffs' Exhibits 8, 9, 10, 11, 13, 14 and 16 referred to as the Lindeteves-Jacoberg correspondence, the photographs marked plaintiffs' Exhibits 12a-12h inclusive and 44a, and Exhibits 17, 18 and 43, referred to as the Tokyo-Denki letters, were improperly admitted into evidence. They further assert that as a result thereof there is no evidence to support the court's findings of fact 23, 24, 25, 26, 27, 28, 29, 30, 31 and 50.

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[1]C.T. p. 541: "24. Whether plaintiffs Addo and Addo Machine, Inc. have at great expense over many years established a complete and successful organization of distributors and retailers of Addo products in the Unted States."

[2]Section 1509 of the California Evidence Code provides: "§ 1509. *Voluminous writings*—Secondary evidence, whether written or oral, of the content of a writing is not made inadmissible by the best evidence rule if the writing consists of numerous accounts or other writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the result of the whole; but the court in its discretion may require that such accounts or other writings be produced for inspection by the adverse party."

Gunnar Agrell, president of Addo, testified in substance and without objection to the following facts. He first heard of Toshiba Adding Machine Model BC-4001 in 1960 or 1961. In 1960, Addo received a brochure of Model BC-4001 from Lindeteves-Jacoberg.

After receiving a letter from Lindeteves-Jacoberg dated December 12, 1962, he went to Stockholm to the Swedish Export Association and asked them to get the information about Japanese firms copying Swedish products. This information was later supplied to him and Addo then decided to go through diplomatic channels through the Swedish Embassy in Tokyo to the Japanese authorities. Addo's decision was made known to Lindeteves-Jacoberg by a letter dated January 11, 1963. A reply was received from Lindeteves-Jacoberg by letter dated May 15, 1963. Addo then decided to buy a Model BC-4001 adding machine and did buy one through Lindeteves-Jacoberg in Japan. On June 28, 1963, Addo received a letter dated June 26, 1963, which had attached or enclosed a letter dated June 13, 1963 from Lindeteves-Jacoberg's Tokyo office to the charges d'affaires of the Embassy of the Kingdom of Sweden at Tokyo.

Addo eventually received from Japan the Model BC-4001 adding machine which had been purchased by Lindeteves-Jacoberg. Mr. Agrell saw the machine when it arrived in Sweden. He inspected it to see whether there was any model number. It was Model 4001.

The machine was taken to Addo's laboratory and photographed on orders from Mr. Agrell. At the same

time, photographs were made of an Addo-X-341E. He saw the two machines side by side and inspected the photographs after they were taken. At the trial, Mr. Agrell was able to identify from the photographs which machine was the Toshiba Model BC-4001 and which was the Addo-X 341E although it was difficult to do so because the machines were so similar.

The photographs were then sent to Lindeteves-Jacoberg. Thereafter, Addo received a report from Lindeteves-Jacoberg as to what was done with the pictures. In the report, certain recommendations were made as to what further action Addo should take. By a letter dated April 15, 1964, Lindeteves-Jacoberg forwarded Addo a copy of a report it had received from the Royal Sweedish Embassy at Tokyo.

After receiving this document, Addo wrote Tokyo Denki on April 28, 1964 on the subject of Model BC-4001. Mr. Agrell saw this letter before it was sent. No answer was received so in July of 1964 another letter was sent to Tokyo Denki requesting a reply. Mr. Agrell also saw this letter before it was sent.

By a letter dated November 25, 1965, Tokyo Electric Company acknowledged receipt of Addo's letter of April 1964. It is evident from this letter that it is a reply to Addo's letter to Tokyo Denki dated April 8, 1964. The letter refers to Tokyo Electric Company's adding machines Model BC-4001 and BC-4011. It recites that the sale of BC-4001 had been discontinued in May of 1965 and Model BC-4011 had been substituted

in its place in April of 1965. A photograph of the substitute machine, Model BC-4011, was enclosed.

The record establishes that Tokyo Electric Co., a subsidiary of Toshiba, was the manufacturer for appellants, and that Purer & Company was sales agent for Tokyo Electric Company.

Appellants having failed to raise objection to Mr. Gunnar Agrell's testimony at the trial, the objection is deemed waived. *Washington State Bowling Prop. Assn. v. Pacific Lanes, Inc.,* 356 F.2d 371, 381 (9th Cir. 1966).

The presumption on appeal is that the trial judge disregarded incompetent evidence and relied upon competent evidence. *Pursche v. Atlas Scraper & Engineering Co.,* 300 F.2d 467, 488 (9th Cir. 1961); cert. den. 371 U.S. 911; rehearing denied, 371 U.S. 959.

The letters from Addo to Tokyo Denki were authenticated by the testimony of Gunnar Agrell, and the letter from Tokyo Electric Company was self-authenticating as a reply. See California Evidence Code, Sections 1420 and 1421; *Conner v. Zanuzoski,* 36 Wash. 2d 458, 218 P.2d 879, 883.

Mr. Agrell's undisputed testimony and the exhibits properly admitted into evidence provide substantial evidence in support of the court findings 23, 24, 25, 26, 27, 28, 29, 30 and 50.

The court's finding number 31 is a misstatement, in that the record clearly reflects that Tokyo Electric Co.,

by its letter of November 24, 1965, did reply to Addo's letter of April 28, 1964. However, whether Addo wrote Toshiba and did or did not receive a reply is immaterial. This fact is not recited in the pretrial conference order as an issue of fact remaining to be litigated and it is not an issue necessary to a determination of this case. In the absence of a showing of prejudice by appellants, this misstatement by the trial court must be disregarded.

Appellants object to the admission of the Dun & Bradstreet report, Exhibit 39, on the ground that it is hearsay and not admissible into evidence.

Gunnar Agrell testified that he first learned Purer & Company had originally been incorporated as a California corporation under the name of Tokyo Electric Company International when he got the Dun & Bradstreet report sometime in July of 1965.

The pretrial conference order entered December 12, 1966 recites as an admitted fact that defendant Purer & Company is a California corporation organized under the name Tokyo Electric Company International in June 1964, and changed its name to Purer & Company by an amendment of its articles of incorporation filed December 8, 1964.

There is nothing contained in the court's finding 56 that was not testified to by Mr. Agrell and admitted by appellants in the pretrial order. It is presumed that the court's finding was based on the competent evidence in the case.

If the court erred in admitting this document, we are convinced from our review of the record that appellants were not prejudiced thereby and the error, if any, was harmless.

Plaintiffs' Exhibits 29, 30 and 32 consisted of interoffice correspondence between Gunnar Agrell and his brother George. They were admitted in evidence for the purpose of showing the state of mind of Gunnar Agrell, the president of Addo, and not for the truth of their contents.

Plaintiffs' Exhibits 53, 54, 55, 56 and 57 are letters reflecting the reaction of Addo machine dealers to literature received from appellants regarding their Tokyo Electric adding machine. These exhibits were not admitted for the truth of the matter stated therein, but for the limited purpose of showing the attitude and state of mind of the dealers under the circumstances.

Appellants have not brought to the court's attention any findings of facts based upon these exhibits. In the absence of such a showing and of a showing that appellants were prejudiced thereby, the assertions must be disregarded.

Appellants' second specification of error relates to the admissions made by defendants Phillip Purer to George Agrell and Carl Gronhagen.

Mr. Agrell testified without objection that he first met Phillip Purer around the middle of September 1965 in New York City. Mr. Purer told him that he had been working with the Toshiba people. In his business

relations with Toshiba, he had seen the BC-4001 machine and had expressed interest to Toshiba to import and market that machine in the United States. He stated that Toshiba wasn't [interested] in doing so since they might risk conflict with the patents Addo was holding in the United States. He said that this was the reason he approcahed Addo in order to obtain the patents to clear the way for the import of the Toshiba machines in the United States. Mr. Agrell suggested to him that if he went around the patent, he could possibly import the machines but that he could not call it an Addo licensed machine. Mr. Purer acknowledged that that was the problem.

Mr. Gronhagen testified that he contacted Mr. Purer about the first week in September of 1965, and Mr. Purer came to his office. During that meeting, Mr. Purer stated that there was no doubt that the machine was already being manufactured at the time that he started negotiations for the license agreement. Mr. Gronhagen's testimony was not objected to nor was he questioned on cross-examination regarding his conversation with Mr. Purer.

Where, as here, the case was tried to the court, it was the province of the court to determine the credibility of witnesses and the weight to be attached to their testimony and the inferences to be drawn therefrom in the same manner that the jury should do in a case tried to a jury.

Mr. Purer was present throughout the trial. If in fact the testimony of the witnesses Agrell and Gron-

hagen was false, mistaken or incorrect in any respect, Mr. Purer had the opportunity to present his version of the conversation for the court's consideration during the trial.

The admissions of a party made directly by him are admissible in evidence against such party where they are inconsistent with the claim he asserts in the action. The evidence relating to Mr. Purer's admissions was properly admitted by the trial court.

Appellants' third specification of error challenges the correctness of the trial court's finding that Addo was induced to enter the license agreement of April 1, 1965 because of the fraudulent representations made by the appellants.

To support their contentions, appellants present citations setting forth general statements of law relating to the subject of fraud and then state their conclusion that it is obvious that Addo did not rely upon any alleged misrepresentations of Purer in issuing the license agreement.

They next suggest that since the negotiations of the parties which led to the issuance of the license were in writing that the findings of the trial court are not controlling since this court is in as good a position as the trial court to interpret documentary evidence. This court, however has no such power. *Randall Foundation, Inc. v. Ridell,* 244 F.2d 803, 805 (9th Cir. 1957); *Lundgren v. Freeman,* 307 F.2d 104, 113-115 (9th Cir. 1962).

Appellants then recite their version of the evidence

in an attempt to establish the incorrectness of the findings made by the trial court. Unless clearly erroneous, such findings are presumptively correct. *United States v. Kintner*, 216 F.2d 418, 426 (9th Cir. 1954).

It is not incumbent upon appellees to persuade this court that the district court's findings are correct. To the contrary, the appellants must persuade his court that such findings ars, as claimed by appellants, clearly erroneous. This court must view the evidence in the light most favorable to the parties who prevailed below. Such parties must be given the benefit of all inferences that may reasonably be drawn from the evidence. The findings of the trial court sitting without a jury must be accepted unless they are clearly erroneous. They cannot be upset if they are supported by substantial evidence. *Pacific Queen Fisheries v. Symes*, 307 F.2d 700, 706 (9th Cir. 1962).

From our review of the record, we conclude that the trial court's findings relating to the issue of fraud are supported by substantial evidence.

Appellants' fourth specification of error challenges the correctness of the court's findings of fact and conclusions of law with reference to the issue of unfair competition.

The court found that appellants, after notice of the recision of the license agreement, imported into the United States and offered for sale TEC 7001 adding machines which incorporated Addo's patented inventions. That appellants, in September of 1965, falsely

represented their adding machine was being manufactured under a license agreement dated April 1965 between Addo and Purer Company. That appellants falsely advertised and represented that the TEC machine had a history of five years top sales experience and over one million satisfied users. At the time appellants made these representations, Addo had manufactured more than one million business machines and used the advertising slogan "Machines for Millions."

From these findings of fact, the court concluded that appellants' importation and sale of adding machines incorporating Addo's patented inventions, after recision of the patent license agreement on July 22, 1965, and their advertisement and representation of the connection between the TEC 7001 and Addo, constituted unfair competition.

The court's findings are supported by substantial evidence and its conclusions of law are supported by the law. *Pursche v. Atlas Scraper & Engineering Co., supra; Upjohn Co. v. Schwartz,* 246 F.2d 254 (2d Cir. 1957); *Stork Restaurant v. Sahati,* 166 F.2d 348 (9th Cir. 1948); *Hanson v. Triangle Publications,* 163 F.2d 74 (8th Cir. 1947); *Ford Motor Co. v. Benjamin E. Boone, Inc.,* 244 F. 335 (9th Cir. 1917); *Volkswagenwerk G.m.b.H. v. Frank,* 198 F. Supp. 916 (D. Colo. 1961).

Appellants' fifth specification of error relates to plaintiffs' second cause of action for trademark infringement.

The second cause of action set forth in the complaint alleges a claim for violation of a registered trademark.

On November 23, 1966, defendants advised plaintiffs in writing that on December 12, 1966 they would move the court for judgment on the second cause of action and for an order directing the Commissioner of Patents to cancel these trademarks on the ground that they were descriptive and non-registerable. On December 12, 1966, plaintiffs orally moved the court that the trademark cause of action be withdrawn. After due deliberation and consideration, the second cause of action was dismissed by the court. Before this was done, the judge observed that he could not see how the interest of justice would be served by refusing to allow plaintiffs to withdraw their second cause of action in view of the fact that in the course of discovery they had come to the conclusion that plaintiffs would be unable to show that defendants were actually infringing their trademarks.

A motion for dismissal after the filing of an answer or a motion for summary judgment is within the sound discretion of the court, whose order is reviewable only for abuse of discretion. *Blue Mountain Construction Co. v. Werner,* 270 F.2d 305 (9th Cir. 1959), cert. den. 361 U.S. 931; *Johnston v. Cartwright,* 355 F.2d 32 (8th Cir. 1966). From our review of the record, we find no abuse of discretion on the part of the trial court. In their sixth specification of error, appellants contend that this was not a patent infringement case.

The first cause of action set forth in the complaint clearly alleges a claim for patent infringement. The answer thereto admits that the letters patent here involved were duly issued by the United States and generally denies all other material allegations. The pretrial conference order of December 12, 1966 recites that the issues of patent infringement and unfair competition are raised in the first and third causes of action of the complaint and in the answer.

The pleadings relating to the first cause of action clearly raise the issue of patent infringement. Although defendant in its answer alleges as an affirmative defense the purported licensing agreement of April 1, 1965, this does not change the legal effect of plaintiffs' claim. The first rule relating to jurisdiction in patent matters is to the effect that a case is within the exclusive federal jurisdiction when it seeks to enforce a patent against an infringer, even though the complaint may show, in anticipation of a defense, the existence of an agreement between the parties relating to the patent. *Lear Siegler, Inc. v. Adkins,* 330 F.2d 595 (9th Cir. 1964). This being so, the assertion of an agreement in an answer as a matter of defense would not remove the claim from the exclusive federal jurisdiction.

When the pleadings were closed, it was incumbent upon plaintiffs, in order to prevail, to prove (1) the validity of their patents, and (2) that they were infringed.

The admission by defendants in their answer that the patents were duly issued by the United States gave

rise to a presumption of validity which could only be overcome by clear and convincing proof to the contrary. *Neff Instrument Corp. v. Cohn Electronics, Inc.*, 298 F.2d 82 (9th Cir. 1962).

The presumption of validity and the concession made by appellants in the pretrial conference order did not remove the issue of validity from the case. It merely made that issue one which was conceded and required no proof. The question of infringement remained as a factual issue to be determined by the court. *Reynolds-Southwestern Corp v. Dresser Industries, Inc.*, 372 F.2d 592 (5th Cir. 1967).

In order to constitute infringement, there must exist substantial identity of function, means, and results. *Pursche v. Atlas Scraper & Engineering Co., supra*, p. 483. An infringing device must perform substantially the same function or accomplish a substantially identical result by substantially identical means, and the principle or mode of operation must be the same. *Reynolds-Southwestern Corp. v. Dresser Industries, Inc., supra*, p. 595.

The court's comprehensive findings of fact relating to the issue of patent infringement are supported by substantial evidence, and these findings support the court's conclusion of law that defendants' importation and sale of adding machines incorporating Addo's patented inventions constituted a patent infringement *ab initio*.

Appellants object to the trial court's award of at-

torneys' fees and costs to appellees. Section 285 of Title 28, U.S.C.A. provides that the court in exceptional cases may award reasonable attorneys' fees to the prevailing party.

In patent cases, attorneys' fees should be awarded only in extraordinary cases. The exercise of discretion in favor of an allowance of attorneys' fees should be based upon a finding of unfairness or bad faith in the conduct of the losing party, or some other equitable consideration of equal force, which makes it grossly unjust that the prevailing party be left to bear the burden of his own counsel fees. *Rohr Aircraft Corporation v. Rubber Teck, Inc.*, 266 F.2d 613, 624 (9th Cir. 1959); *Park-In-Theaters v. Perkins*, 190 F.2d 137, 142 (9th Cir. 1951).

In this case, the trial court found that appellants had been guilty of fraud in obtaining the patent license and, after the patent license had been rescinded, knowingly continued their patent infringement. The conclusion that appellants were guilty of bad faith and inequitable conduct was fully justified by the evidence before the trial court. The trial court specifically found that appellants' conduct made this an exceptional case in which an award to Addo of its attorneys' fees and expenses should be granted.

The amount of an award of attorneys' fees is addressed to the sound discretion of the court. *Monolith Portland Midwest Co. v. Kaiser Aluminum & Chemical Corp.*, 267 F.Supp. 726, 789 (S.D. Cal. 1966). Where the district court has clearly stated the basis for its

award of attorneys' fees, this court may not interfere with the district court's exercise of discretion except where there is an abuse of discretion amounting to caprice or an erroneous conception of law on the part of the trial judge. *Shingle Product Patents v. Gleason,* 211 F.2d 437, 441 (9th Cir. 1954); *Dubil v. Rayford Camp Co.,* 184 F.2d 899, 903 (9th Cir. 1950).

Appellants also object to the taxing of costs to include the actual travel expenses incurred in the taking of a deposition in Sweden and in bringing witnesses from Sweden and New York to California. The former rule in the Ninth Circuit has been that travel expenses are not allowed for travel beyond the area in which a subpoena of the trial court could be effectively served. *Kemart Corp. v. Printing Arts Research Lab.,* 232 F. 2d 897, 902 (9th Cir. 1956). However, the Supreme Court has more recently held that the taxation of actual travel costs is within the discretion of the trial court. *Farmer v. Arabian American Oil Co.,* 379 U.S. 227, 232 (1964). Exercising its discretion, the trial court concluded that the actual travel costs in this case were taxable costs to be assessed against appellants.

The trial court's findings and conclusions with reference to costs and attorneys' fees are supported by the record.

We have reviewed the orders of the trial court denying defendants' motion to compel plaintiffs to fully and completely answer questions on interrogatories, denying defendants' motion to preclude the testimony of Carl Gronhagen, denying defendants' motion for

judgment on the second cause of action, granting plaintiffs leave to withdraw their second cause of action, and all other errors specified by appellants. Having done so, we find the asserted errors to be without merit.

Judgment affirmed.

APPENDIX "B"

UNITED STATES COURT OF APPEALS
FOR THE NINTH CIRCUIT

[Filed May 29, 1969, Wm. B. Luck, Clerk.]

PURER & COMPANY and PHILLIP PURER, *Appellants,*	)	
vs.	)	No. 22,037
AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC., *Appellees.*	)	

ON PETITION FOR REHEARING

Before HAMLEY and HAMLIN, Circuit Judges, and PLUMMER, District Judge.

ORDER

After due consideration, it is ORDERED:

1. The first and second full paragraphs on page 9 of the slip opinion published by Pernau-Walsh Printing Co., San Francisco, on March 14, 1969, are amended to read as follows:

(a) "The granting of a motion by the plaintiffs for voluntary dismissal after the filing of an

answer or a motion for summary judgment is reviewable only for abuse of discretion. *Blue Mountain Construction Co. v. Werner,* 270 F.2d 305 (9th Cir. 1959), cert. den. 361 U.S. 931; *Johnston v. Cartwright,* 355 F.2d 32 (8th Cir. 1966). From our review of the record, we find no abuse of discretion on the part of the trial court."

(b) "In their sixth specification of error, appellants contend that this was not a patent infringement case. The first cause of action set forth in the complaint clearly alleges a claim for patent infringement. The answer thereto admits that the letters patent here involved were duly issued by the United States and generally denies all other material allegations. The pre-trial conference order of December 12, 1966 recites that the issues of patent infringement and unfair competition are raised in the first and third causes of action of the complaint and in the answer."

2. The petition for rehearing is denied.

s/FREDERICK G. HAMLEY
United States Circuit Judge

RAYMOND E. PLUMMER
United States District Judge.

APPENDIX "C"

UNITED STATES DISTRICT COURT
CENTRAL DISTRICT OF CALIFORNIA

[Filed March 10, 1967, Clerk, U. S. District Court, Central District of California, by G. Grimm, Deputy]

AKTIEBOLAGET ADDO, a corporation, and ADDO MACHINE COMPANY, INC., a corporation, *Plaintiffs,* vs. PURER & COMPANY, a corporation, and PHILLIP PURER, *Defendants.*	No. 65-1602-WPG

FINDINGS OF FACT AND CONCLUSIONS OF LAW

This cause having come on for trial on the merits and the court, having heard the evidence and considered the pleadings, briefs and memoranda of the parties and the arguments presented at trial, finds the facts and states the conclusions of law as follows:

FINDINGS OF FACT

1. The court has jurisdiction in that the cause is one arising under the patent laws of the United States, there is diversity of citizenship between the plaintiffs and defendants and the amount in controversy exceeds $10,000 exclusive of interest.

2. Plaintiff Aktiebolaget Addo (in English, Addo Corporation, hereinafter referred to as "Addo") is a corporation organized and existing under the laws of the Kingdom of Sweden with its principal place of business at Malmo, Sweden.

3. Since 1918 Addo has been engaged in the manufacture of adding machines, calculating machines and business machines that are sold in many parts of the world, including the United States.

4. Sales by Addo and its foreign subsidiaries of Addo products amounted to more than $122 million in the years 1962 through 1966, inclusive.

5. In addition to sums expended by its foreign subsidiaries, Addo spent over $4 million on engineering and research during the five years 1962 through 1966, inclusive.

6. Because of the extensive research and engineering program carried on by Addo, because of the high quality of the materials used in the assembly of such machines and because of the careful assembly, inspection and testing of such machines, adding machines bearing the name Addo have developed a valuable reputation in the United States and throughout the world.

7. Addo is the owner of United States Letter Patent No. 2854190, which describes an invention for retarding the start of a function cycle until the carriage of an adding machine has stopped moving. Application for such patent was filed on February 1, 1955, and the patent duly issued September 30, 1958.

8. Addo is the owner of United States Letter Patent No. 2985363, which describes a shock absorbing mechanism to reduce rebounding and machine noise during high-speed operation. Application for such patent was filed on March 16, 1956, and the patent duly issued May 23, 1961.

9. The validity of said patents has been conceded by defendants.

10. Plaintiff Addo Machine Company is a corporation organized and existing under the laws of the State of New York with its principal place of business in New York, New York.

11. Addo Machine Company is the exclusive importer into the United States and distributor in the United States of the products manufacured by Addo and has the exclusive right to use the name Addo in the United States.

12. The wholesale value of sales of Addo products in the United States by Addo Machine Company in the five years commencing February 1, 1962, and ending January 31, 1967, has been in excess of $19 million. Addo Machine Company's expenditure for advertising and publicity in the same period has been in excess of $430,000.

13. Addo Machine Company has, at substantial effort and expense, developed a nationwide network of approximately 800 dealers with sales and service facilities for Addo products.

14. Addo Machine Company has conducted numerous courses designed to instruct mechanics employed by adding machine dealers in the servicing and repair of Addo adding machines.

15. Adding machine dealers selling Addo adding machines in the United States maintain substantial stocks of spare parts and of tools designed for the servicing and repair of Addo adding machines.

16. Defendant Purer & Company is a corporation organized and existing under the laws of the State of California with its principal place of business in Los Angeles, California.

17. Defendant Purer & Company was organized under the name of Tokyo Electrict Company International in June, 1964, and changed its name to Purer & Company by an amendment of articles of incorporation filed with the Secretary of State of California on December 8, 1964.

18. In February, 1965, defendant Purer & Company received permission from the California Corporations Commissioner to issue 100 shares of stock. One hundred shares were issued in March, 1965.

19. Defendant Phillip Purer is an individual residing in California.

20. Defendant Phillip Purer is also a member of a partnership doing business as Purer & Company. No certificate of doing business under a fictitious name has been filed for the partnership.

21. Defendants are engaged in the business of importing from Japan and selling in the United States business machines, including adding machines and calculating machines.

22. The basic adding machine mechanism manufactured by Addo during the years 1960 through 1965 was the Model No. 341-E. This mechanism is used in the 341-E adding machine and in the larger business and calculating machines built from such mechanism. Such adding, business and calculating machines based on the 341-E mechanism employ the inventions disclosed in the aforesaid United States patents owned by Addo.

23. In 1960 a subsidiary of the Japanese Toshiba manufacturing combine began manufacturing in Japan substantially exact mechanical copies of the Addo 341-E mechanism, which copies incorporated the inventions disclosed in Addo's aforesaid United States patents.

24. The Toshiba adding machine which copies the 341-E adding machine bore the Model No. 4001.

25. Although almost an exact mechanical copy of the Addo 341-E adding machine, the Toshiba 4001 adding machine was made of inferior materials which resulted in slower operation, shorter useful life, and greater frequency of repairs.

26. Addo diligently engaged in attempts to stop the manufacture by Toshiba of adding machines which copied the Addo adding machine mechanism.

27. Addo protested the manufacture of the Japanese

copy and made its protests through the Swedish Export Association, the Swedish Embassy in Japan and Addo's agent in Japan, a Dutch firm named Lindeteves-Jacoberg N.V.

28. Thereafter Addo was advised that Toshiba first claimed that the machine it manufactured was the product of independent design and was not a copy of the Addo adding machine.

29. Upon being informed of such claim, Addo purchased one of the Toshiba 4001 adding machines and made detailed photographs of the Toshiba 4001 mechanism and of the comparable parts of the Addo 341-E mechanism which showed the identity of the mechanisms. The copies were sent by Addo to its agent in Japan to be used in further efforts to halt the production of the Japanese copy.

30. Thereafter, Addo was advised that after the photographs had been received in Japan, the Swedish Embassy was informed in February, 1964, that (1) Toshiba would soon put on sale an adding machine of its own design, (2) that the Toshiba 4001 adding machine would be remodeled, (3) that production of the Toshiba 4001 would be discontinued as soon as feasible, and (4) that Toshiba would negotiate directly with Addo regarding the date and terms of such discontinuance.

31. Addo wrote Toshiba in the spring and again in the summer of 1964 requesting further information about such discontinuance, but received no reply.

32. Addo would not willingly have permitted the Toshiba 4001 adding machine to be sold in the United States or in any other country where Addo held patents disclosing inventions employed in the Toshiba 4001 adding machine.

33. Defendant Phillip Purer visited the Toshiba facilities in Japan on several occasions prior to November 27, 1964.

34. On at least one occasion defendant Phillip Purer saw the Toshiba 4001 adding machine and requested that he be allowed to import into the United States and sell in the United States such adding machine.

35. Defendant Phillip Purer was informed by Toshiba that Addo held patents on such adding machine and that it could not be sold in the United States without Addo's permission.

36. Defendants then embarked upon a course of conduct designed to obtain by fraudulent means a license to use Addo's aforesaid United States patents.

37. By letter dated November 27, 1964, defendants wrote to Addo requesting that they be granted a license to use Addo's United States Patents Nos. 2854190 and 2985363. The letter stated:

> "Our company has just completed the engineering and prototype of an Adding Machine to be marketed in the United States. After a close investigation of the existing patents in the United States, we find that there exists some similarity in our design and your patent numbers 2,985,363 and 2,854,190.

"As we are not a company to engage in long litegation [sic], this investigation of patents is a part of our procedure.

"At this time we are not questioning the validity of these patents, but have chosen to contact you and request your approval. We would be willing to enter into a nominal licensing arrangement with your company if it would be feasible to do so.

"Our program will be status quo until we hear from you. Please inform me as soon as possible as to what you decide.

Very truly yours,
PURER & COMPANY
/s/Phil Purer
Phillip Purer, President"

38. By letter dated December 17, 1964, Addo answered defendants' request, stated that it would be willing to grant a license to use the two patents and set forth the terms and conditions under which such license would be granted.

39. Defendants replied by letter dated December 21, 1964. The letter of December 21 stated in part:

"In reply to your letter of December 17, in reference to a license on our proposed adding machine, we wish to state that we will accept the terms outlined in this letter, with a few exceptions.

"We propose to manufacture approximately 10,000 machines per year and will be willing to pay your set fee of 30c per unit, as indicated in your letter. We also note that there are several other patents that you have on this machine which we

are not sure we will use. This, we expect to be included in the license agreement drawn up by you. In other words, we expect to have full coverage from your company on our product."

40. After some delay due to problems in obtaining a form of patent license and in revisions and translation into English of the license form by Addo's president, a patent license signed by Addo was sent to defendants on March 17, 1965.

41. By letter dated April 14, 1965, defendants replied and acknowledged receipt of the proposed license. The letter of April 14 stated in part:

"The agreement is acceptable in its present form, with one exception being Paragraph Number 9 in which you state the minimum royalty amount is to be $3,000.00. This, we would like you to change, as our production will be very small in which we expect to produce approximately 300 machines per month starting in May of this year."

42. By letter dated May 18, 1965, Addo agreed to the modification of the license and, by letter dated June 2, 1965, defendants returned to Addo a fully executed copy of the license as modified.

43. The license was obtained by false and fraudulent representations of defendants in that the above quoted statements were false and fraudulent in each of the following respects, among others:

(a) The adding machine which defendants intended to sell in the United States was not an add-

ing machine to be manufactured by or under the control of defendants. Defendants intended to import the Toshiba copy of the Addo adding machine which had been in production in Japan for approximately five years.

(b) Defendants had not just completed or otherwise done the engineering or the prototype of an adding machine as claimed in the letter of November 27, 1964.

(c) The design to which defendants referred did not bear "some similarity" to Addo's patents, as was claimed in the letter of November 27, 1964; it was a virtually exact copy of the Addo 341-E adding machine in both its patented features and unpatented features.

(d) "Our proposed adding machine" referred to in the letter of December 21, 1964, was not an adding machine belonging to defendants and was not a "proposed" adding machine; it was the Toshiba copy of the Addo adding machine and it was in production.

(e) Although Addo does have United States patents for devices employed in adding machines other than the two aforesaid patents, only the two aforesaid patents are employed in the Addo 341-E adding machine and its copy, the Toshiba 4001 adding machine. There were no "other patents" that defendants might employ in their "proposed" machine as claimed in the letter of December 21, 1964.

(f) The representation in defendants' letter of April 14, 1965, that "our production will be very small in which we expect to produce approximately 300 machines per month starting in May of this

Year'' was false and fraudulent in that it was not defendants' production but Toshiba's production and the adding machine was not commencing in a small amount in May, 1965, but had been in production in substantial amounts since 1960.

44. Each of these false and fraudulent representations was made with knowledge of its falsity and with the intention that Addo should rely thereon.

45. Addo did rely upon such representations in entering into the patent license agreement.

46. Addo would not have granted such patent license had it known that defendants had not designed an adding machine of their own but were intending to import the Japanese copy of the Addo machine.

47. Had Addo been informed that the true name of defendant Purer & Company was Tokyo Electric Company International on November 27, 1964, a name showing a Japanese connection, Addo would have made inquiry as to the nature of the machine claimed to have been designed by defendants and as to the identity of its manufacturer.

48. Tokyo Electric Company is the English name of a subsidiary of Toshiba. Although Addo did not know of the name Tokyo Electric Company until June, 1965, they did know of it under its Japanese name Tokyo Denki and knew that Tokyo Denki was the Toshiba subsidiary manufacturing the copy of the Addo 341-E.

49. In June, 1965, defendants caused the Tokyo Electric Company Model 4011 adding machine to be

advertised at a business machine show in Chicago and represented that such machine was manufactured under license from Addo.

50. The Tokyo Electric Company 4011 adding machine was the same as the Toshiba 4001 adding machine except that the case had been redesigned.

51. The Tokyo Electric Company 4011 adding machine displayed and advertised by defendants bore the label "TEC" and was given the model number 7001 in defendants' advertising of such machine.

52. Plaintiffs purchased one TEC 7001 adding machine from an adding machine dealer who had purchased two such adding machines from defendants on or about October 8, 1966.

53. Over ninety percent of the parts of the TEC 7001 adding machine are identical in size, shape and design with the similar parts of the Addo 341-E adding machine to the extent that they are interchangeable between the TEC 7001 adding machine and the Addo 341-E adding machine.

54. On June 21, 1965, Addo received a copy of the brochure for the TEC 7001 machine, upon which brochure appeared the name Purer & Company.

55. By letter dated June 21, 1965, Addo made inquiry of defendants as to the source of the TEC 7001 machine and received a reply from defendants that the TEC 7001 adding machine was manufactured by TEC, a subsidiary of Toshiba.

56. Addo further learned in July, 1965, through a Dun & Bradstreet report that defendant Purer & Company's correct corporate name at the time of the November 27, 1964, request for the license had been Tokyo Electric Company International, not Purer & Company.

57. Addo thereupon gave notice by letter dated July 22, 1965, of the rescission of the patent license agreement and returned to defendants all consideration given therefor.

58. Addo's notice of rescission and return of consideration was a timely and effective rescission of the license agreement.

59. Said rescission was justified by the false and fraudulent representations defendants had made to obtain the license agreement and by the concealment of defendants' true intentions and the concealment of the correct corporate name of defendant Purer & Company at the time the license was requested.

60. Notwithstanding the notice of rescission of the license agreement, defendants thereafter imported into the United States and offered for sale such TEC 7001 adding machines.

61. In connection with their attempt to sell TEC 7001 adding machines in the United States, by a letter dated September 30, 1965, sent to Addo adding machine dealers throughout the United States, defendants advertised and represented that:

"This new TEC machine is manufactured under license agreement dated April 1965 between the A. B. Addo Company of Malmo, Sweden and Purer & Company which agreement authorizes us to manufacture and sell these machines under Letters of Patent U.S. 2854190-2985363."

62. In advertising and representing that the TEC machine "is manufactured under license agreement . . . between A. B. Addo Company of Malmo, Sweden and Purer & Company," defendants made false and misleading advertisements and representations in that no such license to copy the Addo adding machine had ever been granted by Addo and the license that had been granted by Addo, if not rescinded, would only have authorized defendants to use the two patented devices, not to build a particular adding machine.

63. In the September 30, 1965, letter defendants further represented that the TEC adding machine had "a history of FIVE years of top sales experience," which, if true, was an admission that it was not an adding machine the engineering and prototype of which had "just" been completed the preceding November.

64. In connection with their attempt to sell such TEC machine in the United States, defendants advertised and represented that said TEC machine had "over one Million satisfied users."

65. Defendants' representation and advertisement that such TEC adding machine had "over one Million satisfied users" was false.

66. At the time defendants represented that said TEC machine had "over one Million satisfied users," Addo had manufactured more than one million business machines and used the advertising slogan "Machines for millions."

67. The TEC 7001 adding machine imported by defendants and offered for sale in the United States is inferior in quality of construction and performance to that of the Addo 341-E adding machine which it copies.

68. Defendants' notice to Addo adding machine dealers of September 30, 1965, was intended to and did create confusion among such dealers as to the sponsorship or endorsement by Addo of the TEC 7001 adding machine.

69. Defendants' notice to Addo adding machine dealers of September 30, 1965, was intended to inform said dealers that said dealers would not have to undertake further training of their mechanics or to acquire furtherstocks of spare parts and special tools for the service of the TEC 7001 adding machine.

70. Defendants' notice to Addo adding machine dealers of September 30, 1965, was intended to convey the impression that while the TEC 7001 adding machine was little more than half the price of the Addo 341-E adding machine, it was authorized and endorsed by Addo and therefore of comparable quality to the Addo 341-E adding machine.

71. The TEC 7001 adding machine was made of inferior materials than those used in the Addo 341-E

adding machine, would not be as long-lived as the Addo 341-E adding machine and would be subject to numerous and repeated mechanical failures.

72. Defendants' claim of sponsorship, endorsement or connection with Addo was an effort to trade upon the good name acquired by Addo and Addo Machine Company through their substantial expense and effort and, unless enjoined, would cause damage to the good name and good will of Addo and Addo Machine Company.

73. Defendants' fraudulent conduct in obtaining the patent license and defendants' knowing and intentional patent infringement after such license had been rescinded make this an exceptional case in which an award to Addo of its attorneys' fees and expenses should be granted.

CONCLUSIONS OF LAW

I

This court has jurisdiction pursuant to 28 U.S.C.A. §§1332 and 1338.

II

The license agreement between Addo and Purer & Company was rescinded by the giving of notice of rescission on July 22, 1965, and return of consideration given for such license.

III

Addo's rescission was justified by the false and fraudulent representations made by defendants.

IV

Defendants' importation and sale of adding machines incorporating Addo's patented inventions constituted patent infringement *ab initio*.

V

Defendants' importation and sale of adding machines incorporating Addo's patented inventions after the patent license rescission of July 22, 1965, constituted unfair competition.

VI

Defendant's advertisement and representation of the connection between the TEC 7001 adding machine and Addo constituted unfair competition.

VII

Plaintiffs are entitled to have the preliminary injunction now in effect made permanent.

VIII

Plaintiffs are further entitled to recover damages and to have an accounting from defendants.

IX

The extraordinary circumstances of this case, involving defendants' fraudulent conduct in obtaining the patent license and knowing infringement of Addo's patents when such license was rescinded, entitle Addo to recover its attorneys' fees and other reasonable expenses incurred in this lawsuit in addition to costs.

The Court having previously ordered that a hearing be held on April 11, 1967, at 10:00 a.m. before the Honorable William P. Gray, United States District Judge, in Hearing Room No. 2, 312 North Spring Street, Los Angeles, California, for the purpose of determining damages, an accounting and Addo's reasonable attorneys' fees and expenses, judgment will thereafter be entered consistent with the foregoing findings of fact and conclusions of law.

Dated: March 10, 1967.

/s/William P. Gray
United States District Judge

MEMORANDUM OF SUPPLEMENTAL FINDINGS OF FACT AND CONCLUSIONS OF LAW, AND ORDER

At the hearing, on April 11, 1967, with respect to accounting and the amount of attorneys' fees, counsel for the defendants asserted the contention that the Court was obliged to allocate attorneys' fees and expenses incurred by the plaintiffs between the patent infringement phase and the unfair competition phase of this litigation, and allow only the fees and expenses allocable to the former. The matter was taken under submission in order that the Court might determine the validity of such contention. I have done so and now find and conclude as follows in this memorandum:

1. Proof by the plaintiffs of the patent infringement committed by the defendants depended upon proof that the license under which the defendants purported to operate was obtained through fraud. The same proof constituted an integral part of the cause of action for unfair competition. The services of the plaintiffs' attorneys would not substantially have been lessened if only the patent infringement count had been litigated.

2. Under the circumstances here concerned, it is not reasonably practicable to attempt to evaluate separately the services rendered under the patent infringement and the unfair competition aspects of the plaintiffs' case, and this Court would not be obliged to make such effort even if it were practicable so to do.

Talon, Inc. v. Union Slide Fastener, Inc., 266 F.2d 731 (9th Cir. 1959).

3. As indicated in conclusion of law No. IX of the Findings of Fact and Conclusions of Law that were signed by the Court and filed on March 10, 1967, the extraordinary circumstances of this case indicate that the plaintiffs should recover from the defendants the attorneys' fees and other expenses reasonably incurred by the plaintiffs in this action. Having considered the affidavits of G. William Shea and Alma S. Flesch, I make the following determination:

(a) The portions of the attorneys' fees and expenses claimed by the plaintiffs that were incurred in other related litigation or that otherwise did not directly involve the present case, should not be charged to the defendants.

(b) There should also be disallowed the portions of the services of associate counsel that, although of unquestioned propriety and helpfulness to lead counsel, might be considered to constitute "backstopping" services that should not be charged to the defendants.

(c) I have taken into consideration the nature and complexity of the case; the length of the trial; the experience, standing and eminence of counsel and the quality of skill demonstrated; the importance of the case to the parties; the nature of the responsibility of plaintiffs' counsel; the time fairly and properly expended in preparation out of court; and the results accomplished on behalf of the plaintiffs.

4. After making the adjustments indicated in subparagraphs (a) and (b) of paragraph 3 hereof, and

after taking into consideration the factors set forth in subparagraph (c), it is found that the sum of $33,000.00 is the reasonable value of the services of the plaintiffs' attorneys that should be charged to the defendants.

5. The portions of the expenses claimed on behalf of the plaintiffs that are found to have been reasonably incurred in the prosecution of this litigation and that are recoverable against the defendants are as follows:

As set forth in the affidavit of Gunnar Agrell	$ 1,418.50
As set forth in the affidavit of George Agrell	400.00
As set forth in the affidavit of Alma S. Flesch	686.67
As set forth in the affidavit of G. William Shea (including the bond premium of $400.00)	1,400.00
TOTAL	$ 3,905.17

6. The accounting by the defendants shows that the defendants did not make any profit stemming from their infringement of the plaintiffs' patent or through unfair competition.

7. This memorandum shall constitute a supplement to the findings and conclusions of March 10, 1967. The plaintiffs' attorneys are directed to prepare a judgment in accordance with such findings and conclusions as now completed.

Date April ?, 1967.

/s/William P. Gray
United States District Judge

APPENDIX "D"

"MR. SHEA: Well your Honor, we are going to have a series of these letters and we might as well face up to this problem now.

"I am going to offer a number of letters which are an exchange of correspondence between Lindeteves-Jacoberg and A. B. Addo, an also involving the Swedish Embassy and the Japanese Foreign Affairs Office, and *I am not going to offer them necessarily as proof of the contents thereof,* but I am going to offer them to establish that some years prior to the negotiations between the defendants and the plaintiffs A. B. Addo were confronted with a copying of their adding machine by Japanese people." (emphasis added.) (R.T. pp. 37-38).

To which the Court responded (C.T. p. 38):

"THE COURT: All right, the court will have to rule upon them upon an individual basis, but I think I know the difference between what is hearsay and what is not hearsay, based upon the purpose for which it was offered."

When the letters were offered as Exhibits the following ensued (R.T. pp. 69-70):

"THE COURT: Well, I take it the plaintiff proposes to link up the matter. I take it that this is submitted to show that the plaintiff has not willingly given a license to the Toshiba Company to

use the patents for either introduction of the machine in the United States or otherwise.

"MR. SHEA: That is right. We would not directly give a license to Toshiba, and we are not going to give it indirectly through Mr. Purer.

* * *

"THE COURT: I have not yet admitted the letters, Mr. Fairfield, *and I am not about to admit letters coming from Lindeteves-Jacoberg as establishment of proof of facts asserted in thos letters, but they will be admitted as a basis for action by these people.* Do you understand." (emphasis added.)

On page 72 of the Reporter's Transcript the following occurs:

"MR. SHEA: I think this would be an appropriate time.

"I hope the court is clear that *I am not offering these letters as proof of everything that is stated in them at all.* I think I made myself clear on that, but if I didn't I would like to repeat my position." (emphasis added.)

When they were received as exhibits the court emphasized its position that they were not being received as to its contents:

"In deciding this case I am not going to do it on the basis of facts asserted in any letters." (R.T. p. 76.)

After reading these exhibits the court again stated

that they were hearsay and that he was admitting them (R.T. p. 79):

> "For that purpose, for the purpose of showing why the Addo people took what action they did in writing to the Japanese organization, Exhibit 16 will be admitted."
>
> "We understand that in some legal systems it is assumed that documents are what they purport to be, unless shown to be otherwise. With us it is the other way around. Generally speaking, documents must be authenticated in some fashion before they are admissible in evidence. This was true at the time of the hearing in this case and it is true under the Evidence Code (Sec. 1400 et seq.) although the code in many instances eases the former requirements. In the case at bar the court simply took counsel's word for it that he could have a witness lay the necessary foundation and that he, the attorney, had obtained the documents from the general counsel of Continental so that they were 'business records under the liberal interpretation.'
>
> "While we have just as much faith in counsel's sincerity as the trial court evidently had, such faith does not take the place of testimony or judicial notice.
>
> "The reception of the documents in evidence was therefore erroneous."

Although a reply letter is deemed authenticated as such this is true only when it has been established that the original letter was actually mailed and that its contents called for an answer. In the present cause not only does this count not state any facts in its opinion

establishing that the letters were properly addressed and deposited in a mail box but ignores the fact that the presumption of receipt from proper mailing is applicable only to mailing in the United States and not in some foreign nation. (Ap. Op. Br. pp. 40-41.)

APPENDIX "E"

(R.T. pp. 53-54)

"Q. And did you inspect it to see whether there was any model number on it?

"A. It was Model No. 4001 which was confirmed by letter from Lindeteves-Jacoberg.

"MR. FAIRFIELD: I move that the latter portion be stricken.

"THE COURT: All right, the latter part may be stricken.

"BY MR. SHEA:

"Q. Now, just confining yourself to what was on the machine, was there anything on the machine which established to show that it was Model BC-4001?

"MR. FAIRFIELD: We would object to it on the ground that the machine would be the real evidence on that.

"THE COURT: Overruled."

We are seeking to accommodation and establish an identification of the pictures.

"MR. FAIRFIELD: That is correct, your Honor. Our position is that the machine is the real evidence and not the photographs.

"THE COURT: Overruled.

"BY MR. SHEA: Q. What was on the machine with reference to a model number?

"A. There was a sign. *I don't remember now.*" (Emphasis added.)

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IN THE

Supreme Court of the United States

October Term, 1969
No. 297

PURER & COMPANY and PHILLIP PURER,
Petitioners,

vs.

AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.,
Respondents.

On Petition for a Writ of Certiorari to the United States Court of Appeals for the Ninth Circuit.

Brief of Respondents Aktiebolaget Addo and Addo Machine Company, Inc. in Opposition.

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Statement of Case.

The petition for a writ of certiorari of petitioners Purer & Company and Phillip Purer (hereinafter collectively "Purer") claims that the United States District Court for the Central District of California and the United States Court of Appeals for the Ninth Circuit have so far departed from the accepted and usual course of judicial proceedings as to call for review by the Supreme Court. The petition claims seven such departures. They are:

Four instances (Points I, II, III and VI in the Petition) in which documents were admitted in evidence over objections. In each instance there existed ample

statutory and decisional authority for their admission. Moreover, there was ample, undisputedly admissible evidence to support the judgments of the District Court and the Court of Appeals.

. A refusal of the Court of Appeal to make an independent determination of the meaning or effect of certain documentary evidence (Point IV). The petition ignores the fact that the trial court heard oral testimony regarding the meaning or effect of such documentary evidence.

. An alleged misstatement of the law of unfair competition by the District Court and the Court of Appeals (Point V). Again, there is overwhelming authority in support of the holding of both courts on the law of unfair competition.

. An alleged failure of the District Court to specificallly find patent infringement. The petition ignores, or petitioners have forgotten, the admission in their pretrial statement that Purer "admits he has been using plaintiff's patented item in his adding machine . . ." At pretrial infringement was conceded; the issue at trial was whether it was justified by a license.

Facts.

Before further considering these alleged departures from the accepted and usual course of judicial proceedings, a brief review of the facts of this lawsuit is in order because the facts have been stated most misleadingly in the petition.

In November, 1964, Purer wrote Aktiebolaget Addo (hereinafter "Addo"), a Swedish manufacturer of adding machines, stating "our company has just completed

the engineering and prototype of an adding machine" and that "there exists some similarity in our design and your patent numbers 2,985,363 and 2,854,190." [Ex. 20.] Purer requested a license to use such patents.

After further correspondence [Exs. 22 and 25] in which Purer made additional statements referring to "our proposed adding machine," which would go into limited production "starting in May of this year [1965]," Addo granted Purer the requested license. Purer immediately began offering to sell a copy of the Addo adding machine that had been manufactured in Japan. The adding machine sold by Purer did not merely bear some similarity to Addo's design; it was an exact copy, so exact that the parts were interchangeable with the Addo adding machine. [Rep. Tr. pp. 375-394.] It was not starting limited production after the patent license was granted; it had been in production in Japan by the Tokyo Electric Company for several years during which Addo had attempted to have its manufacture halted (an attempt Addo thought had been successful at the time it granted the patent license). [Rep. Tr. pp. 36-42.]

Obviously Purer's claim to have "just completed the engineering and prototype" was untrue. Not only did Purer make positive misrepresentations of fact, it concealed one crucial fact that might have alerted Addo to the true situation, which was the fact that Purer & Company's correct corporate name at the time it wrote Addo requesting the license was Tokyo Electric Company International. [Ex. 39.] It was not until after Purer had requested the patent license that its corporate name was changed to Purer & Company.

When Addo discovered it had been fraudulently induced to grant the patent license, it promptly rescinded it. Nevertheless, Purer continued to offer to sell the infringing copy of the adding machine and advertised that it was licensed by Addo to manufacture and sell the entire adding machine, and not merely licensed to use its patented parts. [Ex. 52.]

Addo then commenced this action in the United States District Court for the Central District of California. Jurisdiction was based both on diversity of citizenship, 28 U.S.C.A. § 1332, and patent infringement and unfair competition, 28 U.S.C.A. § 1338.

At trial, without a jury, Addo called five witnesses and introduced approximately seventy exhibits during nearly three days' presentation of its case. Purer called no witnesses and rested at the conclusion of Addo's case. Purer's motion for a new trial and to amend the findings of fact and conclusions of law was denied after hearing, judgment was entered in Addo's favor, was affirmed by the Court of Appeals, and a rehearing was denied by that court.

Because Purer called no witnesses and offered no testimony on its behalf, Purer is necessarily limited to attacking the evidence which supports the District Court's findings of fact and attacking the correctness of the conclusions of law. This attack generally fails to overcome the mandate of Fed. R. Civ. P. 52(a) that such findings shall not be set aside unless clearly erroneous.

REPLY TO PETITIONERS' ARGUMENT.

1. Evidentiary Questions.

Purer's objections to the admission of certain documents in evidence fail to explain in what manner, if any, it was prejudiced by the receipt of such documents. Fed. R. Civ. P. 61 states in part:

> "No error in either the admission or the exclusion of evidence and no error or defect in any ruling or order . . . is ground for granting a new trial or for setting aside a verdict or for vacating, modifying, or otherwise disturbing a judgment or order, unless refusal to take such action appears to the court inconsistent with substantial justice."

See,

Ginsburg v. Ginsburg, 276 F. 2d 94, 96 (9th Cir. 1960), *cert. den.* 364 U.S. 934, 81 S. Ct. 381 (1961).

Furthermore, since this was a trial to the court, the presumption is that, if any incompetent evidence was admitted, it was disregarded. As stated in *Thompson v. Carley*, 140 F. 2d 656 (8th Cir. 1944):

> "In a nonjury case, the presumption is that the trial court considered only the competent evidence and disregarded all evidence which was incompetent. . . . This Court will not reverse a trial court in a nonjury case for having admitted incompetent evidence, whether objected to or not, unless all of the competent evidence is insufficient to support the judgment appealed from or unless it affirmatively appears from the record that the incompetent evidence complained of was relied upon by the trial court and induced the court to make an essential finding which would not otherwise have been made." 140 F. 2d at 660.

Turning to the specific documents to which objection is made, Purer first objects to certain financial summaries. (Point I.) The 1966 annual report of Addo [Ex. 3] was introduced as were two documents [Exs. 4 and 48] summarizing business records. These documents went to the peripheral issues of the scope of the operations of Addo and the amount that it had invested in engineering, research, advertising and publicity. Such summaries are admissible when the original "consists of numerous . . . writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the general result of the whole." *Cal. Ev. C.* § 1509. In addition, testimony on these same matters was given by the presidents of Addo and of its United States distributor, Addo Machine Company, Inc. [Rep. Tr. pp. 14-23, 262-270.]

Points II and III object to correspondence with the Addo's Japanese agent regarding efforts to halt production of the Tokyo Electric Company copy of Addo's adding machine and 1963 photographs of that copy. The petition ignores the testimony of Addo's president as to his efforts to halt production of the copy and ignores the crucial fact that, without objection, the Addo adding machine [Ex. 6] and the Tokyo Electric Company copy [Exs. 67 and 70] were admitted in evidence. The statement at page 16 of the petition that the witness, Addo's president, had not seen the interior of the Tokyo Electric Company copy is erroneous. Both the witness and the court saw the interior of both machines.

Point VI, the admissibility of letters from Addo's dealers, is controlled by *Phillips v. Glazer*, 94 Cal. App. 2d 673, 676, 211 P. 2d 37 (1949). This case has been cited by Addo both in the District Court and the Court of Appeals and has not been distinguished or explained by Purer. As stated by the Court of Appeals, these documents "were not admitted for the truth of the matter stated therein, but for the limited purpose of showing" state of mind. (Pet., Appendix "A", p. 8.)

2. Scope of Appellate Review.

Purer contends (Point IV) that a conflict exists among the Courts of Appeals as to the powers of such courts to review documentary evidence. Such a conflict may exist, but it has no relevance to this case. Purer claims that a photograph at the bottom of its letterhead stationery beneath which appeared the legend "New Modern Facility In Ohito" gave Addo notice of Purer's Japanese connection. The District Court heard the testimony of Addo's president that he did not examine the photograph [Rep. Tr. p. 187] and the court stated, in response to Purer's claim that the legend beneath the photograph gave actual notice:

> "I reject that contention altogether. If that was his intention to convey that [information], he could at least have said 'Japan.' He knew at that time that the very mention of Japan would have put the Addo people on their guard, and there would be no deal." [Rep. Tr. pp. 457-458.]

3. Unfair Competition.

Point V of the petition states that "to constitute unfair competition the producer's product must be identified by the public with that of the manufacturer [sic]." (Pet. p. 21.) Palming off, presumably what is meant by the petition, is the classic example, but certainly not the only basis, of unfair competition. Representing oneself as having the good will of or business affiliation with another, when such is not the case, also constitutes unfair competition. *Stork Restaurant v. Sahati,* 166 F. 2d 348, 355 (9th Cir. 1948), *Hanson v. Triangle Publications,* 163 F. 2d 74, 78 (8th Cir. 1947), *Metro-Goldwyn-Mayer, Inc. v. Lee,* 212 Cal. App. 2d 23, 29, 27 Cal. Rptr. 833 (1963). Purer's advertised connection with Addo, when such connection had been emphatically severed, was false advertising and unfair competition.

4. Infringement.

The petition's concluding point (Point VII) questions the sufficiency of the findings of fact and conclusions of law regarding infringement. It ignores the fact that defendants conceded the validity of the patents in answer to the complaint [Clk. Tr. p. 198], admitted the infringement in the pretrial order [Clk. Tr. p. 536] and the conclusion of the District Court (Appendix "C", p. 17) that Purer's "importation and sale of adding machines incorporating Addo's patented inventions constituted patent infringement. . . ." The petition ends by citing *Autogiro Co. of America v. United States,*

384 F. 2d 391, 396 (Ct. Cl. 1967), for the proposition that the findings should "specifically set forth what portions of defendant's machines infringed upon the inventor's claims." (Pet., p. 24.) There is no holding or dictum to that effect in the cited case.

Conclusion.

In addition to the lack of substance, the petition is filled with errors, including miscitation of statutes, Supreme Court rules and decisions. Jurisdiction of the Supreme Court is based upon 28 U.S.C.A. § 1251 and not upon the statutes cited in the jurisdictional statement of the petition. The question presented arises under Supreme Court Rule 19, not Rule 21. Because there are no substantial substantive issues and because the petition has failed to comply with the rules of the Supreme Court, Addo submits the petition should be denied.

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Attorney for Respondents, Aktiebolaget Addo and Addo Machine Company, Inc.

G. WILLIAM SHEA,
FRANKLIN H. WILSON,
Of Counsel.

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In the
Supreme Court of the United States

October Term, 1969

No. 297

PURER & COMPANY and PHILLIP PURER,
Appellants,
vs.
AKTIEBOLAGET ADDO and ADDO MACHINE COMPANY, INC.,
Appellees.

REPLY AND SUPPLEMENTAL BRIEF

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REPLY AND SUPPLEMENTAL BRIEF

Pursuant to Rule 24, subds. 4 and 5, of the Revised Rules of the Supreme Court, petitioners, Purer & Company and Phillip Purer submit this reply brief to the brief in opposition filed by respondents Aktiebolaget and Addo Machine Company, Inc.

1.

Petitioners' alleged error in that no proper *foundation* was laid to admit summaries of books and records into evidence in this cause (Petition, pages 9 and 14). In answer thereto respondents state on page 6 of their brief:

> "Such summaries are admissible when the original 'consists of numerous . . . writings that cannot be examined in court without great loss of time, and the evidence sought from them is only the general result of the whole.' Cal. Ev. C. Sec. 1509."

This, of course, is a correct statement of the law and it is not disputed by petitioners. But that is not the error that petitioners cite.

What petitioners contend is error was the trial court's ruling, that the testimony of the president of a corporation that he ordered his accounting department to prepare a summary of the books and records, was sufficient foundation, over objection, to allow the summaries into evidence. This is contrary to the well established rule that a proper foundation for the admission of summaries of books and records requires testimony from a custodian thereof that the entries contained in the books and records were made in the ordinary course of business under his direction and control and that the summaries represented by the exhibit were actually taken from these books and records. A statement from the president of the corporation that he ordered his accounting department to prepare such a summary is not sufficient foundation and does not support a finding based on the contents of the summaries.

2.

Petitioners contend that the trial court committed error in allowing certain photographs into evidence

without a proper foundation (Exhibits 12 to 12h). The lack of foundation is as follows:

a. The witness did not see the interior of the adding machine received from Lindeteves.

b. The witness did not take the actual photographs and, of course, could not testify that the photographs represented what he saw.

c. There was no evidence that the adding machine purchased by respondent's agent, Lindeteves, in Japan, which presumably was the model for the photographs, was actually a Toshiba machine.

This contention brought forth an unusual response from respondents (Brief in Opposition, page 6):

> "The statement at page 16 of the petition that the witness, Addo's president, had not seen the interior of the Tokyo Electric Company copy is erroneous. Both the witness and the court saw the interior of both machines."

The trial court admitted the photographs into evidence on the assumption that since Gunnar Agrell, the president of Aktiebolaget, had requested his agent Lindeteves to procure a Toshiba machine, that is what he received from him. The machine which modelled for the photographs was never offered into evidence, and the objection that the machine was the real evidence and not the photographs was overruled (R.T. p. 52).

Since the machines portrayed by Exhibits 67 and 70 were not the models for the photographs Exhibits

12 to 12h, obviously what the witness and the court saw at the time of trial can impart no authenticity to photographs taken at least two years before.

3.

Petitioners' contention that it was error to admit into evidence unverified letters from dealers for the purpose of showing their state of mind (Petition, pages 22-23) is rejected by respondents on the authority of *Phillips v. Glazer* (1949) 94 Cal. App. 2d 673, 676, 211 P. 2d 37. (Respt. Br., p. 7.)

But *Phillips v. Glazer* does not aid the respondents at all. In that cause one Barstow took the stand as a witness and testified under oath. The Court held that it was proper for Mr. Barstow to testify, subject to cross examination of course, as to his state of mind based on hearsay declarations; which is not the same as producing unverified letters to show the state of mind of persons who are not witnesses and not subject to cross examination but which the trial court and the appellate court in this cause held is proper. An excerpt of the opinion of *Phillips v. Glazer* is annexed hereto as Appendix A.

4.

Respondents are correct when they state (Resp. Br. p. 7) that despite the fact that petitioners' letters to respondent contained a picture of a factory with oriental ideographs and the phrase "New Modern Facil-

ity in Ohito" imprinted thereon in bold type, the trial court accepted the explanation of Gunnar Agrell, the president of Aktiebolaget, that he didn't see the picture or the phrase printed underneath the photographs when he read the letters. Respondents are also correct when they state that the Court rejected the contention of petitioners, that regardless of Mr. Agrell's explanation, he was still charged with notice of the photographs and the legend (Cal. Civil Code, Sec. 19) and that the court openly stated that petitioners should have added the name "Japan".

But just how that would help respondents is not clear. Since Mr. Agrell's defense and explanation was that *he did not examine the photographs or see the legend,* how the addition of the title "Japan" would have caused him to read or see what was in front of him is not explained.

This is not a situation where Mr. Agrell misread or misunderstood what he saw. If that was his explanation, then perhaps the addition of "Japan" to the information may have imparted a different meaning. But if he didn't examine or didn't see either the picture or the phrase, it would make absolutely no difference whatsoever what was on it or what was omitted, and an assumption that he would have noticed it with the name "Japan" on it and then read it is pure speculation.

For the convenience of the court there is annexed hereto as Appendix B an excerpt of the testimony of Mr. Agrell (R.T. pp. 186-189).

5.

Respondents argue that unfair competition exists in this cause without the need of establishing either secondary meaning or public confusion (Resp. Br. p. 8):

a. Representing oneself as having the good will of or business affiliation with another, when such is not the case.

b. Purer's advertised connection with Addo, when such connection has been emphatically severed, was false advertising and unfair competition.

In support thereof respondents cite:

Stork Restaurant v. Sahati, 166 F. 2d 348, 355, 9th cir., 1948;
Hanson v. Triangle Publications, 163 F. 2d 74, 78, 8th cir. 1947;
Metro-Goldwyn-Mayer, Inc. v. Lee, 212 Cal. App. 2d 23, 29; 27 Cal. Rptr. 833 (1963).

However, these cases are directly contrary to respondents' contentions.

In *Stork Restaurant v. Sahati,* evidence was introduced that through advertising, articles, publications, motion pictures, radio programs, etc. the name "Stork Club" was associated by the *public* with plaintiff's night club in New York (p. 351), and the court found that as a result the *public* would be confused or deceived by associating defendant's club in San Francisco with that of plaintiff.

In *Hanson v. Triangle Publications,* the court found on substantial evidence (p. 77):

> "that plaintiff's use of the trade mark 'Seventeen' had acquired a secondary meaning indicative in the *public* mind of a relationship between the magazine and any girls apparel on which or as to which the name was used. . . ." (emphasis added)

Metro-Goldwyn-Mayer, Inc. v. Lee was decided on affidavits on a motion for a preliminary injunction. In affirming the order of the trial court granting the preliminary injunction, the appellate court stated on page 29:

> "In the law of unfair competition it is the liklihood or probability of *public* deception that forms the acid test." (italics added)

In the present cause respondents failed to establish either secondary meaning of their name or public association of their product and they contend that it is not necessary for them to do so in the present law suit. Their contention is that unfair competition exists *because their own dealers are confused* (Findings of Fact Nos. 61-62; Nos. 68-70; Petition, Appendix "C", pp. 13-16) and the evidence that their dealers are confused came from the unverified letters submitted by their own dealers dated November 2, 3 and 4, 1965 (Exhibits 53-57 incl.) and all in answer to an inquiry from Monroe Oppenheimer, the sales manager of Addo; and from unverified letters dated November 1, 1965 addressed to respondents' Western Representative (Exhibits 61-65 incl.).

Unfair competition is grounded on the premise that the *public,* even a sophisticated public, must be protected from deception. Presumably in a proper case the courts may extend the doctrine of unfair competition to protect dealers or merchants in a specific industry from deception although such a situation has not as yet been considered. But respondents' theory that the doctrine of unfair competition is applicable to protect its own dealers from misrepresentation or false advertising is distorting the doctrine and destroying its purpose.

Although false advertising may constitute unfair competition, as respondents state (Resp. Br. p. 8), nevertheless this court unanimously held that false advertising does not constitute unfair competition without evidence that a purchaser relied on the false advertising to purchase defendant's product believing it to be that of plaintiff. (*Mosler Safe Co. v. Ely-Norris Safe Co.,* 1927, 273 U.S. 132, 47 S. Ct. 314, 71 L. Ed. 578.)

6.

Respondents' final point is that since petitioners conceded the validity of the patents in answer to the complaint and admitted infringement in the pre-trial order, findings as to the validity of the patents and infringement are not required (Resp. Br. p. 8). This statement is not correct for several reasons:

a. Since the validity of a patent is one of law, not

fact, (*Graham v. John Deere Co. of Kansas City,* 1966, 383 U.S. 1, 17, 86 S. Ct. 684, 15 L. Ed. 545) even a stipulation that the patent is valid would not relieve the trial court of its responsibility to make a finding that it was valid, for stipulations as to the law are not binding on the court.

> *Case v. Los Angeles Lumber Products,* 1939, 308 U.S. 106, 114. 60 S .Ct. 1, 6, 84 L. Ed. 110;
> *Los Angeles Shipbuilding & Drydock Corp. v. United States,* 9th cir., 1961, 289 F. 2d 222, 231.

Nor can you stipulate what legal conclusions shall arise from a set of facts.

> *Stanford's Estate v. C.I.R.,* 1939 308 U.S. 39, 51, 60 S. Ct. 51, 59, 84 L. Ed. 20; rehear den. 308 U.S. 637, 60 S. Ct. 258, 84 L. Ed. 529.

In *Eureka Williams Corp. v. McCorquodale,* C.C.P.A. 1953, 205 F. 2d 155, cert. den. 346 U.S. 872, 74 S. Ct. 121, 98 L. Ed. 380 which involved a situation similar to respondent's contentions, the appellate court stated on page 158:

> "In finding the marks 'Hotomatic' and 'Oil-O-Matic' not confusingly similar, we have not ignored the stipulation in the record to the effect that the goods involved possess the same descriptive properties. Such a stipulation, however, cannot foreclose the right of the reviewing court to point out and observe perfectly obvious differences, which actually exist, and which we feel were not intended to be overlooked because

of a strict limitation that might be drawn from the language of such a stipulation."

b. Furthermore, petitioners did not concede validity of the patent or infringement either in their answer to the complaint or in the pre-trial order. Petitioners' answer to the complaint, to which respondents refer, (Cl. Tr. p. 198) reads:

> "Generally and specifically deny each and every allegation contained in Paragraphs III and IV of the First Cause of Action of the complaint except to *admit that letters patent annexed to the complaint as Exhibits 1 and 2 were duly issued by the United States.*" (italics added..)

and it is respectfully submitted that this means only that petitioners conceded that the United States issued letters patent and not that they are valid.

The pre-trial order (Cl. Tr. pp. 535-536) contains the following:

> "4. The validity of the aforesaid patents is not contested by defendants in this action.
>
> "9. The inventions described in the aforesaid letters patent are incorporated in the TEC model 7001 adding machine imported and sold in the United States by defendants."

It is again respectfully submitted that this language does not concede validity to any patents. It is clear that what was agreed is that respondents are to prove and establish the validity of the patent and that

petitioners will not dispute this proof. Any other contention would have carried simple language such as:

> "Plaintiff's patents are valid and defendants admit that they are infringing on plaintiff's valid patents."

c. Petitioners commenced their contract negotiations with respondent in November of 1964, which resulted in the license agreement of April 1, 1965 (Exhibit 26). Paragraph 7 of the license agreement states:

> "7. The Licensee shall not at any time during the continuance of this agreement or thereafter dispute the validity of the patents hereinbefore mentioned."

At least since 1950, continuing during the period of negotiation and the execution of the license agreement proceeding through the commencement of the present action, its trial and affirmance by the court of appeal, the law was settled by this court that a licensee was estopped from challenging the validity of the licensed patent at least in a suit for royalties due under the contract. (*Automatic Radio Mfg. v. Hazeltine Research,* 1950, 339 U.S. 827, 836, 70 S. Ct. 894, 94 L. Ed. 1312).

In the present suit petitioners were relying on a valid existing license agreement which respondent contended was obtained by fraud. Petitioners could not legally argue that this agreement was valid and bind-

ing and at the same time contend that the patents were invalid.

On June 16, 1969, this court decided *Lear v. Adkins,* 1969 ..... U.S. .....; 23 L. Ed. 2d 610 in which it overruled *Automatic Radio Mfg. Co. v. Hazeltine Research Inc.* stating (23 L. Ed. 2d on page 623):

> "We are satisfied that *Automatic Radio Co. v. Hazeltine Research Inc., supra,* itself the product of a clouded history, should no longer be regarded as sound law in respect of its 'estoppel' holding, and that holding is now overruled."

The present petition for a Writ of Certiorari was docketed with this Court on June 30, 1969, and although *Lear v. Adkins* was decided on June 16th, neither the decision nor the opinion were available at the time the petition for a Writ of Certiorari was prepared and docketed.

In view of the reservations made in the pre-trial order as to the validity of the letters patents and the decision of this court in *Lear v. Adkins,* the trial court should have made the *required* findings determining the validity of the letters patents (*Sinclair & Carroll Co. v. Interchemical Corp.* (1945) 325 U.S. 327, 330, 65 S. Ct. 1143, 89 L. Ed. 1644) and particularly which portions of petitioners' adding machines infringed on the claims of the letters patents. (*Neff Instrument Co. v. Cohn Electronics Inc.*, 9th Cir. 1961, 298 F. 2d 82, 88-89) and without such findings a judgment of infringement of

letters patent cannot stand (*U.S. v. Esnault-Pelterie,* (1936) 299 U.S. 201, 206; 57 S. Ct. 159, 81 L. Ed. 123).

CONCLUSION

The fact still remains that the trial court departed from the accepted and usual course of judicial procedure when without a proper foundation being offered as to their reliability it admitted into evidence books, records, documents and letters and proceeded to make findings of fact predicated on this evidence; that it received into evidence letters for the limited purpose of showing state of mind and not for the truth of its contents and then proceeded to make findings based on the truth of the contents of those letters; that it failed to make findings as to the validity of the letters patent or how petitioners infringed on respondents claims; and that the appellate court sanctioned this procedure. This court should therefore grant the petition for a Writ of Certiorari to review this procedure.

Dated at Los Angeles, California, August ....., 1969.

Respectfully submitted,

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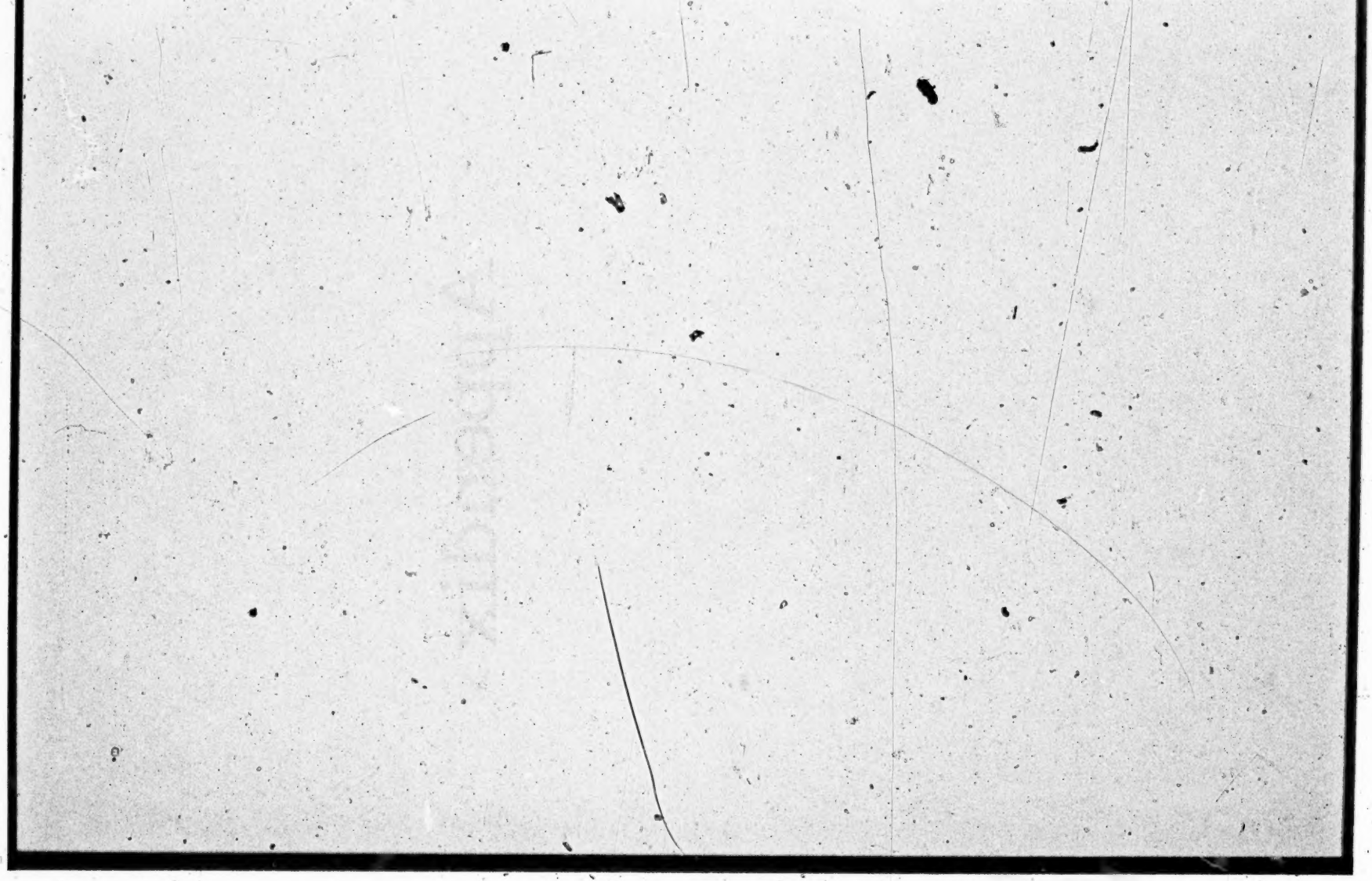
ETHELYN F. BLACK
and

ALFRED W. OMANSKY
Attorneys for Petitioners.



APPENDIX "A"

EXCERPT OF OPINION

Phillips v. Glazer

94 C.A. 2d 673, 676- 677; 211 P, 2d 37.

The witness Barstow testified as follows: I am a licensed realtor. I had a listing from Mrs. Krieger. I brought a prospective buyer to view Parcel 20, Malibu Colony. I asked $35,000 for it. On my second visit with the prospect I noticed the sign on the garage of Parcel 19. "Q. What if anything was said by you and the prospective purchaser concerning that sign? MR. BUTTS: To which we object on the grounds it is hearsay. THE COURT: Objection overruled. A. I went into the house and I said to Mrs. Krieger, 'What in the world is this sign doing on the garage?' THE COURT: The question is, what did the purchaser say? A. She said 'What is this sign up here?' and I said, 'Well, I don't know. I will have to ask Mrs. Krieger. I have never seen this before.' The prospect went in with me to see Mrs. Krieger about it. We had some conversation. The prospect did not take the place. She said she would not be interested in buying the place if there was any question of the title. I said I would have to investigate it thoroughly before I would do anything further with it. She made no objection to the price as being unreasonable. Q. Did you as a realtor tell Mrs. Krieger what you were going to do about trying to

handle the house, or did you do any- thing further? MR. BUTTS: I object to the question on two grounds, it is hearsay and calling for a conclusion. THE COURT: Objection overruled on both grounds. A. Yes, I went into the house and asked Mrs. Krieger what the sign meant, and she said not to pay very much attention to it. I said nobody would buy a piece of property with that sign standing there because people are not buying property where there is a clouded title. And she said, 'The only thing you can do is wait until I see how this thing is going to work out.' I then discontinued making efforts to sell the place."

The rulings indicated in the foregoing resume are assigned as prejudicial. It is contended that the statements ascribed by the witnesses to prospective purchasers were hearsay and incompetent. In the same breath appellant admits it is "an exception to the hearsay rule when the intentions, feelings or mental state of a certain person at a particular time is material to the issues," citing *Adkins v. Brett,* 184 Cal. 252 [193 P. 251]; *Estate of Carson,* 184 Cal. 437 [194 P. 5, 17 A.L.R. 239]; *Cripe v. Cripe,* 170 Cal. 91 [148 P. 520]. These authorities establish the rule that such declarations when used not to prove the truth of the matter asserted but to establish the state of mind of the declarant are not within the hearsay rule. That rule does not exclude evidence of a statement when the act of making it is significant irrespective of the truth or falsity of its content. (*Werner v. State Bar,* 24 Cal.2d 611, 621 [150 P.2d 892]; *People v. Radley,* 68 Cal.App.

2d 607, 609 [157 P.2d 426]; 10 Cal.Jur. §288, p. 1036.) The declarations ascribed by the witnesses in the instant action were not to prove the truth of the declarations but to prove the state of mind of the declarant when he read the sign of appellant. The court's rulings were in the interest of justice. They enabled respondents to show that the presence of the sign caused prospective purchasers to abandon their desires to purchase Parcel 20. A contrary ruling would have been grievously erroneous.

APPENDIX "B"

EXCERPT FROM REPORTER'S TRANSCRIPT
(Pages 186-189)

BY MR. FAIRFIELD:

Q. Have you Exhibit 20 there before you now, Mr. Agrell?

A. Yes.

Q. Now, I think your testimony yesterday was that when you had received Exhibit No. 20 you paid no attention to the picture?

A. Yes.

Q. And that you did not see the legend on the bottom of Exhibit No. 20 which said, "New Modern Facility in Ohito"?

A. Yes.

Q. Did you read that at all when you received Exhibit No. 20?

A. It is possible that I did.

Q. Pardon?

A. It is possible that I read it.

Q. I see. Well, now, did you look at the picture at all?

A. No.

Q. Now, in looking at your picture, or looking at

the letter, did you notice on the picture of the factory the word "TEC"?

A. No.

Q. You didn't notice that at all?

A. No. I am not using magnifying glasses when reading letters.

Q. Is it your testimony then, Mr. Agrell, that without a magnifying glass you cannot see the letters "TEC"?

A. Very difficult.

Q. Well, now, take a look at the letters now with your regular glasses. Do you see the letters "TEC"?

A. It is very difficult to read.

Q. Now, alongside of the letters are some characters which are in Japanese. Do you see that?

MR. SHEA: May I have that last question, please?

(The question was read.)

MR. SHEA: I object to the characterization that they are in Japanese because I don't know that Mr. Fairfield speaks or writes Japanese and besides that, looking at them, I would have difficulty comparing some of the Japanese symbols that are on Exhibit 7 to say that they are Japanese symbols.

THE COURT: All right. I heard Mr. Fairfield say that the four markings, I suppose, to the right of the letters "T" and apparently around the corner from

the box on top of that building, whatever it is, are in Japanese.

In any event, proceed.

BY MR. FAIRFIELD:

Q. Now, Mr. Agrell, you subsequently made some notations on Exhibit No. 20 which is in Swedish in your handwriting.

A. Yes.

Q. I think that in your handwriting you even wrote the letters "TEC". Take a look at Exhibit 20.

A. Yes, there is an "F" over the "C".

Q. When you wrote over the letters "TEC" you still did not see the letters "TEC"?

A. I didn't see them.

Q. Now, when did you make these notations which are on Exhibit 20? It is in your handwriting, isn't it?

A. Yes.

Q. When were these notations made?

A. As soon as I got the information from our patent department within the company because I didn't know what these two patents were about.

Q. Well, now, that would be — may I have a date on that approximately?

A. Sometime between the 1st and the 17th of December before the answer.

Q. All right, and so the notations there that were made on Exhibit No. 20 were made between the —

A. The letter arrived on the 1st of December, 1964, and it was answered on the 17th of December, 1964.

Q. So it was made between those particular dates.

A. Yes.